

## THE EUROPEAN WEEKLY

## NEW EUROPE

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## “Deep State” in trouble

AKP will keep ruling Turkey with a bully pulpit

“The Ecumenical Patriarchate is not just a Greek-Turkish issue, it concerns Europe and the international community as well.”



EU Enlargement Commissioner Olli Rehn with Greek Foreign Minister Dora Bakoyannis, who isn't fuzzy on how the Turkish elections will affect relations with the EU

“(Prime Minister) Erdogan did not want to look less patriotic than the opposition parties, some of which have Turkishness as their flag.”

Page 6

## ENERGY

Iran-Turkey deal: The sum of all US-Russia fears



The South Pars gas field near the southern Iranian port of Assalouyeh

EU carefully monitors the situation, seeks supplies for Nabucco

Page 11



### Mideast Quartet plans peace talks

Bush pushes another plan

Page 9

### EU welcomes WTO plan to cut tariffs

Blueprint set to get talks going again

Page 7

### Women don't get equal pay

EU wants equal pay laws to be applied

Page 8

## NOTEBOOK:

## Euro/dollar parity at the epicenter

One after the other, members of the board of the European Central Bank reassure us that the Eurozone is running a grave inflation danger. So the ECB should raise its interest rates once more, and this should be done sooner rather than later.

The last incident in this line came from a founding member of the Eurozone, the Bank of Greece and its governor, Nikolaos Garganas, who said last week that interest rates should climb higher, despite his recognising that the Euro/dollar parity has started to bite into exports and growth. On the other side of the Atlantic, there are clear signs that interest rates on the dollar will remain stable.

With this in mind, every first-year student of economics will predict an even more expensive Euro. On top of that, most of the Eurozone citizens, businesses and governments are up to their necks in debt, so it will be only banks which will cherish the time of the expensive Euro and high interest rates.

The issue has even divided France and Germany. Nicolas Sarkozy and Angela Merkel, who met recently, expressed diverging views on the expensive Euro, with the French president being quite uncomfortable about it.

Sarkozy has repeatedly slammed the ECB for its expensive Euro policies. The club of those who worry was enlarged last week to include the European Commission. Joaquin Almunia, the commissioner for the economy, expressed his worries about the expensive Euro.

He did not hesitate to mention intervention in the money market to refrain the Euro, but waived such a possibility. He drew the attention, however, of policy makers on the issue and said that future developments may not correspond to the basics of the economy.

With this, he made an obvious reference to the possibility of an even more expensive Euro, a prospect to which he obviously objects. It seems that the game with the Euro/dollar parity all the time is becoming more important.

### UK-RUSSIA: STIRRED BUT NOT SHAKEN

Russian President Vladimir Putin warned against overestimating the current diplomatic spat between London and Moscow. “I am convinced that we will sort

spokesman for Gazprom Marketing and Trading Ltd, a Gazprom subsidiary in Britain, said restrictions on visas for Russians should not seriously harm the company's business. A source in Shell said: “We hope that neither side will stake any steps that would complicate the work of English companies in Russia and Russian companies in England.”

Large British corporations

## BIG BUSINESS WILL NOT LET TIES WORSEN

out this mini-crisis,” Putin said. “I think that Russian-British relations will return to normal,” Putin said after the Russian Foreign Ministry move to ban visas for British diplomats.

Representatives from companies whose business is connected with work in Russia and Britain do not expect any particular difficulties with carrying out business due to the worsening relations between the two countries. Philip Dewhurst, a

are not interested in rifts in relations between London and Moscow, head of the Russian Union and Industrialists and Entrepreneurs Alexander Shokhin said. “The statements made by politicians are at variance with the opinion of businessmen on what should be done,” Shokhin said. “Big business will not allow relations between Britain and Russia to deteriorate,” he said.

Page 16, 40



### FOCUS: “Blair and Mideast Peace”

Former British leader gets praise and pessimism

Page 12, 13



### Arts & Culture

Experience Opera at the Heart of the Performance

Page 17



### Yatsenyuk sees Ukraine-EU summit as planned

Crisis in Ukraine did not impact ties with EU

Page 39



## Editorial

### Why does the US press Russia so hard?

Russia has submitted a memorandum confirming, as expected, that the huge country will freeze its participation in the conventional forces agreement in Europe (CFE). This development comes after the American insistence on establishing its own anti-missile system in Poland and the Czech Republic. The presidents of the US and Poland agreed on that in Washington at the beginning of the previous week. And on July 16, Britain decided to expel four Russian diplomats from London on the grounds of Moscow's refusal to hand over to London a Russian spy accused by British authorities of allegedly murdering the ex-Russian spy Alexander Litvinenko last year. There is no question then that relations between Russia and the Anglo-American pact are on very bad terms, probably their worst since the fall of the Berlin Wall. At the same time, however, a number of very important countries in mainland Europe are working hard to establish new and stronger relations with Moscow. Germany, Italy and Greece have signed one energy agreement after the other with Russia, and their heads of governments exchange visits with President Vladimir Putin under unclouded skies.

Despite the fact that the Litvinenko affair is not related to the American missiles in central Europe, the two issues lead exactly in the same direction: the beginning of a new and completely different era between the Anglo-Americans and Russia. What has changed in the European skies to poison the climate to such an extent? No connection here with the environment! The answer is very simple. Russia woke from its long inward-looking attitude which followed the fall of communism. In the Yeltsin era, the West, and more so the US, intruded in Russia, expropriating, in a businesslike manner, Russian wealth, at least what communism did not manage to destroy. That included underground resources, mainly energy deposits of natural gas and oil.

This was spearheaded by a small number of Russian-born people who were supported by the western spy agencies and sparingly financed through dark channels. The YUKOS empire was started with a small bank created with something less than 100 million dollars. Then YUKOS came to own a good percentage not only of the oil-producing capacity of Russia, but also a large part of the oil lying under Russian land. Then came Putin. In a matter of a few years, the Russian president re-nationalised those Russian business empires, not always with the best legal practices, even though their owners did not cooperate with the Kremlin. Bit by bit, the Russian state and, hence its government, became richer and richer, helped by soaring energy prices, thanks to the American invasion of Iraq. The huge country then started to form a foreign policy which was quite Russian and now, for example, blocks the West's plan for an independent Kosovo. The same is true for Ukraine, where the West appeared at a certain moment to almost completely control the political developments in Kiev.

As things now stand, it seems that this new Russian attitude toward the world hurts first and foremost the single global superpower and its allies. At the same time, a number of European countries like Germany, Italy and Greece do not seem to be bothered much by the new Russian policies. Actually, some of them see Moscow's awakening as a positive development against the absolute American supremacy. The US problems in Iraq and the first defeat of the Israeli army in Southern Lebanon have changed the entire world scenery.

Add to this the better economic performance of Europe in comparison to the US and you come up with the answer to the question above.

## "The Elders" arrive

### Mandela launches his all-stars to tackle global problems

Former South African president Nelson Mandela, on his 89th birthday on July 18, announced the formation of a group of former world leaders, including six Nobel Peace Prize winners, named The Elders to tackle some of the world's most "intractable" problems.

Mandela was flanked by seven other founding members - South African Anglican Archbishop Desmond Tutu, former UN secretary general Kofi Annan, former US president Jimmy Carter, former Irish president Mary Robinson, Mandela's wife Mozambican social activist Graca Machel, Bangladeshi microcredit champion Muhammad Yunus and former Chinese foreign minister Li Zhaoxing - as he unveiled the group.

Among the other members named to the group are the Indian founder of the Self-Employed Women's Association Ela Bhatt, former Norwegian prime minister Gro Harlem Brundtland and Burmese human rights activist Aung San Suu Kyi, who remains under house arrest.

Mandela said The Elders would tackle "what seem like intractable problems" such as climate change, HIV/AIDS, malaria, Tuberculosis and "that entirely human-created affliction - violent conflict." Unlike serving politicians, the ex-leaders "do not have careers to build, elections to win or constituencies to please."

"The Elders could become a fiercely independent and robust force for good, tackling complex and intractable issues especially those that are not popular," Mandela said.

The group is the brainchild of British entrepreneur Richard Branson and British musician Peter Gabriel, who approached Mandela in 2001 with the idea of forming a council of sages. The two Britons, who also



Former South African president Nelson Mandela (L) is assisted by former United States president Bill Clinton as he walks through the "Making Peace" exhibition at the Mandela Foundation in Johannesburg, July 19, 2007, marking Mandela's 89th birthday

attended the launch in Johannesburg chaired by Tutu, head up a group of wealthy philanthropists providing funding for the group to the tune of 18 million dollars over the next three years. An on-demand rendition by Gabriel of his tribute song to slain anti-apartheid activist Steve Biko brought Tutu to tears. Speaker after speaker spoke glowingly of anti-apartheid icon Mandela, who appeared in good health as he entered his 90th year reaching out on several occasions to grasp the hand of his wife Machel.

The group aims to meet at least twice a year and will begin, according to Robinson, with a review of the application of the UN Declaration on Human Rights leading up to the 60th anniversary of the declaration in 2008. Mandela will not be taking an active part in the group.

Questioned about whether The Elders would be able achieve without an electoral mandate what they had failed to achieve in office, Carter coun-

tered: "All of us solved some problems," then blamed the "lack of time" and "colloquial pressure" from constituents for leaders' other unfinished business.

"Sometimes, by simply saying 'this can't go on, this must stop,' you can make a difference," ventured Kofi Annan, who steered the UN through one of its most difficult periods in 2003 when the United States and Britain went to war in Iraq without UN backing. Clubs of ex-world leaders pooling their experience on governance already exist.

Some 66 former heads of state, including Robinson, are members of the Madrid Club which has as its slogan: "Democracy that delivers."

In 2004, former South African president FW de Klerk, who shared the Nobel Peace Prize with Mandela in 1993, also assembled a coterie of ex-leaders for his Global Leadership Foundation which offers support and advice to governments.

## Host nation must welcome foreign troops: NATO

NATO supports a "well functioning political system," across the globe and the host nation "must support" the military deployment of foreign troops on its soil, stressed a "political military" alliance spokesman last week in Brussels. Lamenting the fact that Russia is dragging its feet to withdraw from Georgia although it can be done in weeks while withdrawal from Moldova is yet to be addressed in the realm of the Treaty on Conventional Forces in Europe (CFE), James Appathurai, NATO spokesman told journalist, "Although they (NATO nations) have not yet ratified the CFE, the NATO countries are always in compliance with CFE treaty." Russian President Vladimir Putin had announced on July 14 he was suspending Moscow's participation in the CFE treaty. The 1990 CFE agreement sets limits on the number of conventional weapons and military deployments across Europe. The treaty was updated in 1999 at a meeting in Istanbul. Asked about Moscow's call for a replacement for the treaty as Interfax

earlier cited a department head of Russian defence ministry as saying, "The adapted CFE Treaty is obsolete and no longer reflects the realities of today," the NATO spokesman said the 26 nation alliance was struggling to understand the Russian stance on the CFE. "The Russian position is not fully clear to me ... I must say I have trouble keeping up with the Russian proposals," said Appathurai. On the statement of Russian official cited by Interfax that NATO had 150 days to show its willingness to renegotiate certain points of the treaty, NATO spokesman expressed willingness of the NATO to hold an international conference on the CFE treaty. "Our door is open for discussion," he said, adding "NATO allies are ready to meet whenever and wherever to address Russia's concerns on the CFE Treaty." Stressing the pact as "important," Appathurai said it had provided much-needed transparency on the deployment of weapons. But the NATO spokesman warned against "over-dramatisation" of the currently strained relations. Admitting that rela-

tions had gone sour in some areas like the CFE treaty essentially arising from Moscow's opposition to US missile defence system in Poland and the Czech Republic while a Russian veto threat over UN plans for supervised independence for Kosovo also loomed on the horizon, Appathurai pinpointed that in other areas like counter-narcotics programmes in Afghanistan and counter-terrorism operations in the Mediterranean there was commendable co-operation between the two sides. Saying, "The record is mixed," Appathurai warned, "But let's not over-dramatise to the point where we throw out the baby with the bath water."

### New Europe

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# EU drags its feet on those Kafkaesque surnames

**“W**e do not do double-barrelled surnames, Madame,” the Flemish official told Mrs Bowes-Lyon\* in Overijse. Following Article 335 of the Belgian Civil Code to the very letter, the official was only doing his job: a child bears only the father’s surname unless either paternity is not established or the father is married to a woman other than the mother, in both of which cases the child bears the mother’s surname. The official, speaking Dutch somewhat slower and louder to aid comprehension, was conciliatory: “We can put the first part of the surname as a Christian name. The second part of the surname would then be the surname in Belgium,” he said.

By Dafydd ab Iago

Little two-week Oliver is oblivious to the legal difficulties and bureaucratic maze Belgian authorities have stubbornly plunged him into.

He has more important items on his agenda such as bringing up wind and getting enough milk. At school, though, Oliver will soon be collecting school certificates and records under his Belgian name. Later, and probably not in Belgium, he or his parents will have to prove to universities, state authorities and employers that he is in fact one and the same person. For the 200,000 or so European expatriates, living in and around Brussels, going to the local commune in Belgium is rarely a positive experience. This appears all the more so when you touch on matters so fundamental as giving a name and surname to your baby.

This was the experience of Mrs Bowes-Lyon, unaware of her rights as an EU citizen, and not armed with a special paper costing 37 Euro from the British consulate. The paper sets out UK law on surnames, which is in theory to be applied by Belgian.

The problem, of course, exists for other European citizens. Luckily, the President of the European Commission, Jose Manuel Durao Barroso, did not have to register his three sons in Belgium. Otherwise they would all have been given the simple surname “Barroso,” or possibly “Durao Barroso” if the official is feeling creative. Belgian officials would not readily accept the surname as it should be according to Portuguese law.

One nasty side-effect to all this free movement, for national officials at least, is an increasing number of marriages and other unions between citizens from different EU Member States. The problem for state

officials is that there are no clear guidelines on what surname to give to the resulting children.

Europe’s often archaic and incompatible surname laws nominally give absolute competence to the Member State when it comes to laying down laws on surnames to be given. As a result, one and the same person may find it impossible to have the same surname in different countries. Belgian Ingrid Robeyns, who lives with her Dutch husband just across the border in the Netherlands, found this out the hard way.

Dutch law allows married couples, as of 1998, to give the mother’s surname, if so desired, to the firstborn child. “As both Belgian and Dutch citizenship are ‘compulsory’, my child now has two official surnames - Pierik in Belgium, and Robeyns in the Netherlands,” explained Robeyns. Despite a ruling of the European Court of Justice in 2003, Belgium continues to give different surnames to one and the same person. Robeyns and her husband are currently considering their options. The “James Bond” appeal of one person having two passports with two completely different surnames quickly wore off after the initial shock.

The couple now wants their child to have one and the same surname. This surname would not change, regardless of whether the son is in Belgium visiting family or in his Dutch kindergarten.

In trying to get one surname for her child, Robeyns still has a few “choices:” she can renounce her Belgian citizenship (and therefore not register the child as a Belgian citizen), make a lengthy, but uncertain, application to the Minister of Justice and to King of the Belgians for the child’s costly change of surname. More simply, she can just accept the legal complications and uncertainty of a child with two wholly different surnames.

Slowly, however, there is some legal light in this dark tunnel. Paradoxically, Belgium, thanks to its archaic surname rules and numerous EU foreigners, is sparked the candle. Back in 2003, Belgium lost the so-called Garcia Avello case at the European Court of Justice after authorities had persistently insisted on giving Spanish-Belgian children a different surname to that requested by the parents and recorded by Spanish authorities.

In its reasoning for the Garcia Avello case (C148/02), the Court noted that “... a discrepancy in surnames is liable to cause serious inconvenience for those concerned at both professional and private levels.” As to the core of the mat-

ter, the ECJ held that the principle of freedom of movement prohibits Member States from refusing a child’s change of surname, made by the parents resident in that state so that the child bears the surname granted following the law and tradition of a second Member State.

Fours years after this ruling, Justice Commissioner Franco Frattini recognised that something has to be done. The Commission, though, is very reluctant to open a Pandora’s box hiding behind theoretically exclusive competence given to Member States as regards rules on surnames. Questioned by the persistent Erik Meijer (GUE/NGL, Netherlands), Frattini admits that regardless of this exclusive competence, “...Member States, including Spain, must none the less, when exercising that competence, comply with Community legislation, in particular the EC Treaty provisions of the right of every Union citizen to move and reside freely in the territory of the Member States.” Promising to clear the muddy waters, the Commission is also planning a study that will cover the registration of names.

More concrete action was finally taken at the end of June. Faced by mounting complaints, the Commission sent “reasoned opinions,” the second stage in infringement procedures, to Belgium, Germany and Spain at the end of June. Whilst Germany may get off the hook (after changing a pre-

vious administrative decision), Belgium and Spain look likely to move on to another round - the European Court of Justice. Cunning Spain, though, announced a “new” ministerial interpretation of its law on surnames at the end of May. Once again, though, Spain argues that it is not affected by the Garcia Avello case as Madrid allows a change of surname. The country also recognises the right for persons with dual nationality to having the same set of surnames in different EU states.

Despite this, Spanish consulates continue to refuse to register persons with surnames given under different EU laws (unless identical with those that would be given in accordance with the Spanish Civil Code).

Commission officials admit that they have been forced into action due to a lack of action by Member States and a growing number of complaints.

A major worry for officials, though, is opening the Pandora’s box of conflicting laws on surnames.

Due to enlargement, Slavic and Baltic surnames, with female and male endings, are beginning to cause problems for new mixed parents.

A baby girl born to a Dutch father and Slovak mother, for example, was recently given the “male” surname of her father. Dutch authorities refuse to add the traditional Slavic “-ova” ending to the baby girl’s surname. This automatically

means that the girl’s Slovak passport will bear a different surname.

Aside from Wales, Iceland is the only other European country to have preserved a patronymic surname system adding “son” or “dottir” to the father’s or mother’s first name. However, first names must appear on a list of approved “Icelandic” names. If you want to give a name that is not on the list, then it must first be approved. Surname problems faced by Icelandic parents in the EU are usually solved on a “case-by-case” basis by the relevant Icelandic consulate with local authorities.

Mixed Icelandic-EU couples face more problems than mixed EU couples. “Icelanders are not EU citizens,” explains Kristrun Kristinsdottir, Justice & Home Affairs Counsellor at the Icelandic Mission to the EU. This means that despite being citizens of the European Economic Area, Icelanders married to EU citizens do not then have the right to force EU states to give an Icelandic surname to their mixed offspring. Things are much easier for EU citizens in Iceland.

“Non-Icelanders and mixed Icelandic-EU couples can always keep their names. Their children born in Iceland can also have their surnames or, if they so wish, use the foreign first name of the father to create a surname after the Icelandic tradition,” said Kristinsdottir.

The author recently faced the possibility of his child having three completely different surnames on passports and identity cards in the UK, Belgium and Spain. As Welsh “surnames” can be composed of the father’s first name preceded by “ab” or “ap,” Belgian and Spanish authorities initially refused to register the patronymic surname.

The UK, with the most liberal regime, accords the right of parents, within the limits of “good taste” and “reason,” to give any name as a surname. Belgium, still using the Napoleonic law of Six Fructidor Year II, insists on just the father’s surname being given. Spain, equally intransigently, will only allow registration of a combination of the father’s and mother’s surname. Having opted for British law, the author was able to force Belgian authorities to accept a Welsh surname combined with the Spanish mother’s first surname. However, this partially patronymic surname was “ridiculous” for Spanish consulate officials in Brussels. They insist on giving a wholly different surname to the child. Spain has also refused to issue a passport to the baby whom they recognise as having Spanish nationality.

(\*Name changed for reasons of privacy.)

Dafydd ab Iago is a Brussels-based journalist.

## The ShootinG gaLLeRy



German Chancellor Angela Merkel (L) can barely contain her glee at seeing former French president Jacques Chirac again, but doesn't have the heart to tell him he can't come to EU Summits any more even if he is the life of the party



## Former French president says no real change in treaty

Speaking to a European Parliament committee, former French President Valéry Giscard d'Estaing said the European Council has agreed to only cosmetic changes to the rejected constitution to avoid the risk of further referendums on ratification.

The former President of the Convention on the Future of Europe gave this assessment to the Constitutional Affairs' Committee during a discussion which also included Portuguese Foreign Minister Luis Amado for the Council presidency. Parliament's news service said most MEPs taking part in the debate agreed that the agreement on EU reforms reached by the Member States in June salvaged the substance of the draft constitution. The former Convention President said: "In terms of content, the proposals remain largely unchanged, they are simply presented in a different way." "The reason is that the new text could not look too much like the constitutional treaty," he added, so EU governments agreed on "cosmetic changes to the constitution to make it easier to swallow."

MEP Jo Leinen of Germany, chair of the committee, agreed and said, "Member States tried to make the old version appear as something new (...) to get it through."

MEP Timothy Kirkhope of the United Kingdom said, "The UK government stated the new treaty does not contain any constitutional element; I find it a cynical approach."

MEP Jens-Peter Bonde of Denmark, who had opposed the Constitutional Treaty from the start, said he preferred the old version since he said the new one lacks clarity. He agreed that, "on legal obligations, there is no difference" between the two texts. Following May 2005 rejection of the constitution by French and Dutch voters, the EU institutions committed themselves to improving dialogue with the public. In this context, Giscard d'Estaing criticised the fact that the European Council did not want the EU flag and anthem mentioned in the new treaty. He quoted a recent Eurobarometer survey saying that 70 percent of EU citizens were in favour of the flag as symbol of Europe. He then declared: "We always say we want to be closer to citizens, and then we get rid of the flag; I find it quite odd." MEP Sylvia-Yvonne Kaufmann of Germany said, "If someone attacks symbols, it means that also what the symbols stand for has been attacked." Nevertheless, said MEP Klaus Hansch of Germany, "Although symbols are not in the future treaty, they won't disappear."

Giscard d'Estaing said that the lack of political will shown by the Council was the most negative aspect.

Amado agreed with other speakers that, "Changes in the new text are more semantic in nature, but the essence (of the Constitution) is guaranteed from the point of view of the institutional mechanisms."

On the Intergovernmental Conference (IGC) due to draft the new EU treaty, Amado declared: "I feel that we have a clear mandate and we'll be able to transfer it into a treaty." He admitted that there are still political problems on issues such as the voting system, but he assured MEPs: "We do not want to open up the mandate because we risk missing the objective to have a treaty ready by the end of this year." He also stressed the "very important role of the EP in the IGC."

MEPs agreed with Amado that the new treaty must reflect that agreement at June's summit. Maria da Assunção Esteves of Portugal said, "The Parliament must be vigilant," and said, "The Portuguese Presidency must be the guardian of good faith." Fellow Portugal MEP Sergio Sousa Pinto said, the Presidency must ensure that EU countries "do not make a step back when looking at the so-called legal details."

MEP Andrew Duff of the UK said, "There's suspiciousness that the IGC is somehow a giant exercise of obscurity (...) we should publish all contributions to the discussion as soon as possible upon a specific website."

Amado declared himself in favour of publicising the IGC meetings. He said: "We are willing to work together (...) to disseminate information and to involve all European media."



Former French president Valéry Giscard d'Estaing meets the media during a press conference on the European Constitution process at the European Parliament in Brussels, Belgium, July 17, 2007

# Lawmakers clash with human rights group over CIA

European Union lawmakers and an investigator at Europe's top human rights watchdog on July 17 clashed over their separate probes into alleged secret US counter-terrorism activities.

EU deputies and Council of Europe investigator Dick Marty both have accused EU capitals of violating human rights treaties by covering up clandestine CIA flights across Europe. But in a joint meeting several EU parliamentarians accused Marty of not naming sources for his allegations that EU members Poland and Romania were hosts for secret CIA prisons. "It is very dangerous to base accusations against persons on anonymous sources," said Dutch Socialist Member of the European Parliament (MEP) Jan Wiersma. "We have always drawn the line to publish what we can prove, not what we believe," Wiersma added. In a report published last month, Marty said that European Parliament Vice President Marek Siwiec, a former Polish national security adviser, and EU deputy Ioan Mircea Pascu, Romania's former defence minister, were among those local officials who knew about the secret CIA operations in their countries.

Marty said that his findings were based on information gathered from CIA operatives, but he did not name his sources. Polish and Romanian EU lawmakers slammed the Swiss senator for not seeking testimony from Siwiec and Pascu. Siwiec confirmed that he would sue Marty for damaging his reputation. Both Poland and Romania firmly deny the allegations.

Romanian lawmakers pulled out of the Council of Europe's parliamentary assembly



Dick Marty, Swiss Council of Europe investigator, delivers his speech at the Council of Europe parliamentary assembly on alleged CIA flights, Strasbourg, France, June 27, 2006

bly last month until Marty visits Romania to prove his claims. In a final report concluding a year-long investigation by a special committee of the EU assembly, EU lawmakers said earlier this year that the existence of a secret CIA prison camp in Poland could not be excluded.

Clandestine detention centres, secret flights via or from Europe to countries where suspects could face torture, or extraordinary renditions would all breach the continent's human rights conventions.

US President George W. Bush last September for the first time acknowledged that the CIA was running secret prisons for holding and interrogating high-level al-Qaeda figures that had been captured since the September 11, 2001 attacks.

However, Bush did not give in to European calls to make the location of the camps public. Allegations that CIA agents shipped prisoners through European airports to secret

detention centres, including compounds in Eastern Europe, were first reported in November 2005.

Marty said that the US government has clearly stated that it has fully respected the sovereignty of European countries during its activities in the "war on terror," and that kidnappings in Europe would not have been possible without the participation of the national intelligence services concerned. He said there was a "wall of silence that confronts us from almost all national governments" and that this silence "continues to mask serious human rights violations." Marty said that in the cases of Poland and Romania, there were "numerous and coherent pieces of evidence" that secret prisons existed in these countries.

He also said that General Nicolò Pollari, head of SISMI, the Italian military intelligence service, had "shamelessly lied" about his cooperation in the

rendition of Abu Omar to the parliament's temporary committee during an exchange of views in Parliament. He was critical of both the previous and the current Italian governments for blocking a Milanese court's extradition request for CIA agents.

MEP Claudio Fava of Italy, parliament's rapporteur on the question, noted that the Marty report's conclusions "are ones we mainly support and share," even though he stressed the very different methods and approaches to evidence employed by the two institutions. But MEP Jas Gawronski of Italy said, "After two years of work, you are simply coming out in support of what the Washington Post has already reported, without offering any concrete evidence."

The question of why the Council of Europe report refused to name sources was on many MEPs' minds. MEP Jan Wiersma of The Netherlands said that the parliament "has always drawn the line to publish what we can prove, not what we believe," while MEP Roberta Anastase of Romania asked whether the evidence can at least be made available to the Romanian authorities on a confidential basis, so they can verify them and continue their own investigations.

Marty responded by saying that he was very prudent in his investigation. "There is no information in the report that came from one sole source," without corroborating evidence, he said. MEP Sarah Ludford of the United Kingdom was supportive, saying that "Those who challenge the report have a remedy: put all the documents in the public domain so we can compare evidence."

## Poland defies EU in row over wildlife threat

The European Union has again clashed with Poland, this time over what some European Parliament lawmakers said was threats to endangered wildlife from plans for a mega-motorway between Prague and Helsinki.

The Polish government announced that construction would begin on August 1, despite imminent rulings from the European Court and a report by the European Parliament's petitions' committee. Report author Thijs Berman, a Dutch Socialist MEP, claimed that the Via Baltica project would cause "significant and widespread environmental damage." He said: "I am shocked by the decision of the

Polish authorities to fly in the face of international concern and go ahead with this project. I call upon the European Commission to intervene in order to ensure that construction work does not begin."

A European Court action already launched by the Commission deals with a threat to birds, plants and 17 rare or endangered animal species. Berman presented his report in Brussels after leading a fact-finding mission to the Rospuda Valley in Poland. He recommended that:

- Construction work in the valley should not go ahead
- An alternative route through Lomza, Chodorki and Suwalki is the only suitable

option — "avoiding irreversible damage to unique and valuable sites protected under EU environmental law"

- EU funds should be provided only if the route is chosen on the basis of a strategic environmental assessment and in full compliance with EU law
- EU support for a rail link

between Finland, the Baltic States and Poland is needed to relieve traffic pressure

The Via Baltica, also known as route E67, is the most important Baltic road link. Berman said, "The development of the Via Baltica strategic road network in central and north-east Europe is essential to the economic and social cohesion of the Euro-

pean Union as a whole. But an even higher priority should be given to better rail links in the area because of their long-term benefits.

The choice is largely a question of member states' policies but the European Union would encourage rail over road."

The European Commission brought the Via Baltica case before the European Court of Justice in March, claiming a breach of EU environmental protection laws. Berman said, "The Polish authorities have failed to show that they examined alternatives to the current road construction project properly and objectively."



# Milk market reform sought, to keep supply for students

The European Parliament's Agricultural Committee has unanimously voted against disproportional cuts in connection with the reform of the Common Market Organisation for milk and milk products.

"The (European) Commission suggests in its draft Directive a standardisation of protein contents in milk and milk products. I endorse this approach to make European producers more competitive against third countries through equal conditions. The proposed reduction of the intervention price threshold may, however, not lead to disadvantages for the European milk sector," said rapporteur Elisabeth Jeggle, an MEP from Germany.

The standardisation of protein content will, according to the Commission, lead to net savings of almost 120 million Euro from 2008 until 2013. "These means should then be used to establish a milk fund restructuring programme for sales promotion and to further accompany measures such as nutrition information campaigns," Jeggle said.

With regard to the abolition of private storekeeping likewise planned by the Commission, she said she wants to maintain this safety network, especially insuring students get milk. "The school milk Regulation should be continued. This is indispensable in view of increasing obesity and wrong eating habits of children these days. Global aid foreseen by the Commission in the medium term could be even increased and the school milk provision be extended to further products like for instance school fruit," she added. She pointed out that the measures planned in the framework of this so-called "mini-milk package" serve as a simplification. But the reform package



*A young girl regards a cow at a protest rally for higher milk prices at the dairy Muellermilch in Aretsried, Germany, May 9, 2007. Demanding that the price for a litre of milk be raised to 40 cents, the Association of German Dairy Farmers (BDM) had called upon its members for a nationwide protest*

must not be used as a means for further reductions in the EU Agricultural Sector, she said. For the committee, savings generated by the milk market reform "mini-package" proposed by the European Commission must benefit the sector. School milk aid needs to be raised, and the necessary adjustments to Europe's dairy market should not jeopardise the existing private storage scheme, the report said. To simplify the common market organisation (CMO) in milk and milk products, the Commission proposed three sets of amendments to regulations and directives. Three reports by on each of these texts were approved by the Agriculture Committee, under the procedure for consulting the European Parliament. They endorse the bulk of the measures proposed by the Commission, but also insert several amendments to balance certain aspects of this "mini-reform."

The committee called for a milk fund restructuring programme from January 1, 2008 to:

- Help producers and proc-

essors to cope with the growing liberalisation of the market

- Upgrade promotion measures and the dissemination of nutrition information

- Maintain and modernise production in mountainous regions

- Strengthen the school milk distribution scheme

MEPs also opposed the abolition of private storage aids for cream and skimmed milk powder. Jeggle said this instrument needs to be retained as a "safety net". By contrast, MEPs favoured introducing a single school milk aid rate, to simplify the management of this scheme. MEPs also asked the Commission to assess the possibility of widening the range of products covered by the scheme, notably to include new, innovative and healthy products.

The Agriculture Committee approved without amendment the Commission proposals to:

- Reduce the skimmed milk powder intervention price by 2.8 percent, to 169.80 Euro for 100 kilogrammes

- Abolish the system that activates the buying-in of butter when market prices fall below 92 percent of the intervention price for two consecutive weeks

- Harmonise definitions of butter quality (there are currently 27 national classes)

- Abandon mandatory import certificates (which new control systems have rendered unnecessary)

- Abolish the arrangement that allows the armed forces to buy cut-price butter

At present, only three milk categories are authorised in the EU: skimmed milk (maximum 0.5 percent fat), semi-skimmed (from 1.5 percent to 1.8 percent fat) and whole milk (3.5 percent fat.) The Commission wants to authorise marketing of milk outside these categories, provided fat content is clearly labelled. To avoid confusing consumers, MEPs say that the names of these products should be stated on the label, and the proposed margins of tolerance for stating fat content should be deleted.

## EU urged to save more, spend less

Against a backdrop of more economic growth and jobs across the Eurozone, European Parliamentarians have called on EU countries use this opportunity to reduce deficits and create surpluses. A resolution adopted last week also called for a "policy debate on the application of the convergence criteria" due to economic disparities. With all 12 states that joined EU in 2004 and 2007 obliged to join the currency when their economies are ready, it also wants more information on the Euro for the public.

This year Slovenia became the 13th state to adopt the Euro and the first of the 2004 intake to do so. In January next year Cyprus and Malta are expected to follow suit. The resolution also called for EU members to improve the quality of public finances with investment in education, training, research and innovation. The need for better information in the countries due to join the Euro was also highlighted. Despite this influx, there are concerns that other states will find the conver-

gence criteria set at Maastricht in 1992 hard to meet. That summit set five criteria: budget deficits must be below three percent of GDP, public debt must be less than 60 percent of GDP, countries must have an inflation rate within 1.5 percent of the three countries with the lowest rate, interest rates must be with two percent of the three lowest countries and exchange rates must be kept within "normal" fluctuation levels.

In 1992, there were 12 countries in the EU - by this year that figure has jumped to 27. This is one reason why the resolution would like to see a debate on entry criteria - in particular the inflation test. Many states have high growth - and high inflation. However, it does call for convergence criteria to be applied within the Treaty.

Last year the GDP grew by 2.7 percent - the highest growth since 2000. With the creation of two million new jobs there is renewed confidence across Europe, MEPS said.

The man who drafted the parliament's

report - Polish PES member Dariusz Rosati called on EU members to take advantage of this opportunity while it lasts, and said that "2006 was a very good year but there are some worrying signs as well.

If members do not take the opportunity to benefit from this excellent recovery to put their public finances in order - what will happen when bad times come?" he asked. He went on to say that countries "should use this opportunity to reduce their deficits to zero." Commenting on the overall performance of the Euro Italian MEP Mario Mauro called for the completion of the EU's internal market as a way of boosting Europe's economy. If this does not happen he warned that "not all countries can compete at an equal level - especially with some of them running with boots full of sand." If and when Cyprus and Malta join the Euro it will bring the currency to a combined 320 million people. Slovakia is expected to be the next country to join - possibly in 2009.

## Europe's cultural heritage only a click away?

A long rite of passage for students, clambering down to the library to pore through endless pages of books for study and research, and pleasure, is changing in the digital age, where software programmes on computers produce encyclopaedias with movies and pictures, updated constantly to reflect the rapidly-changing world.

And while libraries aren't going away, they are going to be changing too. Access to Europe's cultural heritage should be made much easier though the creation of the European digital library, the European Parliament's Committee on Culture and Education said in a report it adopted July 16. It is backing a European Commission plan to set up a European digital library as a direct access point to the European cultural heritage and stresses the importance of multilingual access to the databases.

For a large number of people, particularly young people, the Internet has become one of the principal means of access to knowledge, they said. Therefore, said the committee, it is important to make use of the digital technology to promote, safeguard and disseminate the wealth and diversity of the European cultural heritage as widely as possible. In a report by MEP Marie-Helene Decamps of France, MEPs backed the setting up of a digital library in as a single, direct and multilingual access point to the European cultural heritage. The long-term aim of the initiative should be to establish a tool that covers all categories of cultural material - not only books, but also audiovisual material, they said. In the initial phase however focus was text material free of copyright. The committee stressed the importance of having a multilingual interface that gives direct access to the content in all EU languages. It should also be possible to conduct the searches in all languages, they recommended. The MEPs said that existing initiatives in Europe that connect libraries and give access to national European library collections should contribute to the creation of the European digital library. As for funding, the committee said new methods of financing must be developed - including partnerships with the private sector. The European Commission's proposals were outlined in a paper put forward in September 2005, after six Heads of State and their respective Governments called in April that year for the creation of a virtual European library. Parliament will vote on the report in its September plenary session.

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*A burning train after an accident about 70 kilometres from Western Ukrainian city Lviv, July 17, 2007. Poisonous chemical fumes released after a train derailed, injured 20 people, including emergency workers and police, according to a defence ministry statement*

## Ukraine offered help in phosphorus spill clean-up

The European Commission, the executive branch of the European Union, is ready to assist Ukraine in the clean-up of a massive hazardous chemical spill, an EU official said July 18. The EU made an open-ended offer to the Ukrainian government to provide help if necessary, and was waiting for an answer from Kiev, said Barbara Helferich, according to the Interfax news agency. The EU is ready and willing to assist Ukraine both in the short-term clean up of the phosphorus spill, and in repairing long term damage for the release of the toxic chemical into the environment, she said. Helferich said the EU was particularly interested that proper environmental monitoring be performed at the accident site, to make sure the effects of the phosphorus are contained. A more detailed offer would be possible, if the Ukrainians were to inform Brussels what they needed, she said.

Ukraine's government politely refused a similar offer of assistance from the government of Kazakhstan, Ukraine Transport Minister Mykola Rudolovsky saying "Thus far, we are managing with our own resources ... but we will keep the offer in mind."

Officials from all branches of the Ukrainian government involved in the clean-up - particularly Rudolovsky's Ministry, the national rail company Ukrzhelesnitsia, the Emergency Situations Ministry, the national police, and the army - have been unanimous in insisting the situation is "fully under control." The assurances have met scepticism from Ukraine's opposition, the leaders of which have argued that the ruling coalition was doing its job badly, since it allowed the phosphorus spill to take place. The aftermath of the 1986 Chernobyl nuclear power accident has made many average Ukrainians cynical about any government claim that accidents are under control, as such official assurances - made to prevent public panic after Chernobyl - led to the exposure of tens of thousands of Ukrainians to radiation.

## Push for cheap medicines for poor countries grows

Members of the European Parliament have stepped up a campaign to make cheap medicines available to the world's poorest countries by delaying an international agreement on intellectual property rights. In a protest at what they decried as an uncooperative attitude by the European Commission and the EU Council, the assembly's all-party international trade committee put off ratification of a protocol to amend the TRIPS agreement. Said Socialist spokesman on the issue MSEP Kader Arif of France, who led a protest, said, "We want a solemn undertaking by the Commission and Council guaranteeing that Europe will be actively involved in finding new solutions. In line with the public's wishes, the EU should aim to be a world leader in the effort to make affordable medicines available throughout the world. "This is about far more than simple ratification of an international protocol. It's about a political and humanitarian problem on a huge scale, the response to which requires real political will," he said. Arif said that a solution put forward by the World Trade Organisation in 2003 had not worked. "We call upon the Commission to come forward with urgent alternative measures aimed at helping developing countries to develop their own production capacity for pharmaceutical products," he added.

Today's election in Turkey will have a predictable outcome, but what is at stake is whether the governing Islamist-led AKP Party of Prime Minister Tayyip Erdogan will get enough of a mandate to let him go through with his programme of deep institutional changes.

Turkey is struggling with its divide pitting the army against the ruling politicians and the underlying tension of growing unrest by the majority Muslim population, who want more of a say. Campaigning on strong economic growth and the slogan that the government's work "is only half done," the AKP has managed to solidify its support and shrug off fears that it is bent on destroying the secular nature of the state.

Opposition parties cannot really threaten the AKP victory but can restrict it to more manageable levels if they have a strong enough showing. The electoral fight was concentrated around nationalism where the opposition could win some ground.

By the end though, the elections were wrapped in the Turkish flag as politicians fought over whom is more Turkish. The Ecumenical Patriarchate of Constantinople in Istanbul was caught in the middle and the governing AKP party felt it could not treat the Patriarchate in an accommodating way.



*Greek Orthodox Ecumenical Patriarch Bartholomew I delivers his speech at the Plenary Session of the Council of Europe in Strasbourg, January 22, 2007*

This logic was pushed to its limits as the Turkish state and Erdogan tried to make life difficult for Ecumenical Patriarch Bartholomew. Those measures were directed at two targets: the Ecumenical character of the Patriarchate was questioned by the authorities, including the Judiciary of 300 million Orthodox Christians all over the world, and some parts of the patrimony of the Orthodox Church in Turkey were confis-

cated.

Erdogan did not want to look less patriotic than the opposition parties, some of which have Turkishness as their flag. For them, the Orthodox Patriarchate is an easy target. The story is not new.

Those electoral games created a very uncomfortable situation for Christianity in Turkey and more so for the Ecumenical Patriarchate. This is an institution with 14 centuries of history

that nobody can erase so easily. The Ecumenical Patriarchate is recognised by all major churches, including the Roman Catholic, and all the major countries of the world including the EU and the United States.

The Greek foreign ministry and FM Dora Bakoyannis informed EU authorities and Enlargement Commissioner Olli Rehn, and EU governments, on the difficult days the Patriarchate is facing in Turkey.

Greek Foreign Ministry spokesman George Koumoutsakos told a regular press briefing on July 20 that Bakoyannis will inform her EU counterparts during a Council of Foreign Ministers meeting in Brussels on July 23.

The Turkish political party rhetoric against the Patriarchate will undoubtedly be restrained after the election. But Turkey, a prospective member state of the EU, constantly turns against other religions and their institutions, without paying any attention to the principles of the Union.

As Komoutsakos put it: "The Ecumenical Patriarchate is not just a Greek-Turkish issue, it concerns Europe and the international community as well," adding that Athens' initiatives are being undertaken on this basis, while reiterating that the Ecumenical Patriarchate is undoubtedly an issue of major Greek interest.

## Mideast Quartet backs autumn peace talks

The Middle East Quartet gave its backing July 19 to US President George W Bush's proposal to launch talks in the autumn on the construction of a Palestinian state. United Nations Secretary General Ban Ki-moon announced the outcome of a two-hour meeting in the Portuguese capital Lisbon.

The grouping of the United States, UN, European Union and Russia also expressed support for Palestinian Authority President Mahmoud Abbas, who is in the midst of a confrontation with the rival Islamic militant movement Hamas.

The Quartet urged Israel and the Palestinians to adopt measures to increase mutual confidence and to work toward lasting peace in the region, with a Palestinian state coexisting with Israel and other neighbours. The international conference proposed by Bush would constitute an important step toward peace, the Quartet said. The list of participants was still open, US Secretary of State Condoleezza Rice pointed out, adding they should accept agreements establishing the foundations of the two-state solution. The meeting hosted by the Portuguese EU presidency brought together Ban, Rice, EU foreign policy chief Javier Solana, EU External Relations Commissioner Benita Ferrero-Waldner, Russian Foreign Minister Sergei Lavrov as well as the Quartet's new envoy, former

British prime minister Tony Blair.

Blair said that he was "very satisfied" with being tasked to achieve the construction of a Palestinian state that could talk to Israel on an equal footing, but that he would not offer proposals until September.

Several European countries have sought a strong role for Blair, whose mandate is limited to boosting the Palestinian infrastructure and economy, but the US does not want Blair to become an intermediary who might negotiate with Hamas.

Portuguese Prime Minister Jose Socrates said that the Quartet had "re-launched" the peace process in a meeting marking a turning point in the Middle East. Socrates expressed confidence that Blair would bring "new dynamism" to the Quartet and to international peace efforts.

Speaking after talks earlier with Portuguese Foreign Minister Luis Amado, Rice described Abbas as an "excellent partner" for the international community and as the elected Palestinian president who had the authority to negotiate.

Rice said that Hamas had isolated itself internationally, placing itself outside international norms such as renouncing violence and accepting Israel's right to exist. Amado also said he did not see the EU relating to Hamas, adding that the union had decided to support Abbas and the Palestinian Authority.

It was hoped Blair's appointment would give new weight to the peace process after the Quartet had been criticised as a failure by critics who said it had not been able to mount any kind of significant effort in resolving the lengthy crisis, even as it worsened. There was no indication why the talks would now be delayed until the fall, as the EU and some European Parliament members have been calling for more urgent responses and humanitarian aid for the Palestinians. Portugal mounted one of its biggest security operations ever around the meeting, though the number of participating police and soldiers was not given for "security reasons." Palestinian Prime Minister-designate Salam Fayyad on July 18 called on the European Union to renew aid to the Palestinian Authority and spoke of the need to launch a "real" peace process which will lead to a result "we all expect."

He made the comments after meeting European Union foreign policy chief Javier Solana in Ramallah. "We discussed the latest developments and we discussed several important issues at all levels," he said, describing what transpired during what he termed a "positive meeting" with the European envoy. President Mahmoud Abbas, who met with Solana later, said he would welcome any renewal of aid to the Palestinians.



# EU welcomes new WTO tariff reduction plan

Blueprint set to get serious talks rolling in autumn

The European Union on July 17 gave a cautious welcome to fresh World Trade Organization efforts to break the deadlock in the Doha round of global trade talks. "The text offers what we see as a realistic zone ... it is certainly something we can live with," EU trade spokesman Peter Power told journalists.

Power and EU farm affairs spokesman Michael Mann said the WTO call for cuts in agriculture tariffs and subsidies was a useful step forward. "Our first reaction is that the texts provide a basis for further work in the Doha round," the two EU officials said.

But they warned that the 27-nation bloc still had "important concerns" over some issues. They declined to give further details, however.

The latest proposal at the WTO to unblock global trade negotiations continues to offer too little and cost too much to developing countries to constitute the basis for a development deal, said international agency Oxfam.

"We acknowledge progress in the agricultural text, which goes further than what the EU and US have proposed so far, though as always the devil will be in the detail of negotiations still to come," said Celine Charveriat of Oxfam's Make Trade Fair campaign.

Oxfam said in a statement that the overall cost to developing countries of opening their agricultural and industrial markets remains far too high in return for the modest reforms in agriculture in rich countries. These new numbers would leave rich countries' trade protections largely intact, while forcing many developing coun-



World Trade Organization (WTO) Director-General Pascal Lamy before he addresses the Trade Negotiations Committee on negotiations at WTO headquarters in Geneva, Switzerland, June 22, 2007

tries to face severe adjustments costs and failing to create for them new opportunities.

"To put this in perspective, there are three billion rural people in the developing world, most of them trying to survive on farms of less than two hectares. In addition, one billion new jobs must be created over the next decade, most of them in developing countries, which is more than double what the global economy currently produces," said Charveriat.

The new WTO proposals call for steep cuts in trade-distorting US farm subsidies by setting a ceiling for such handouts at between USD 13 billion and USD 16.4 billion, down from the current limit of about USD 22 billion.

This is above the USD 10 to 11 billion ceiling demanded by Brazil and India but below the USD 17 billion level informally floated by the US.

Meanwhile, the draft indus-

trial goods agreement tabled in Geneva said developing countries should put a ceiling of 19-23 percent on their tariffs, well below the 30 percent demanded by Brazil and India.

This is the level, however, that European business groups say is necessary to improve access to emerging markets for their exporters.

The two proposals will be discussed by the WTO's 150 members over the coming weeks.

Diplomats say, however, that negotiators will only convene for serious talks in autumn, giving up earlier plans to try and strike a compromise deal before August.

WTO Director General Pascal Lamy has called the new blueprints a fair and reasonable basis for reaching an "ambitious" agreement. The WTO chief still wants a deal by the end of the year to avoid getting the negotiations entangled with

the US presidential election campaign.

"Members will not be fully satisfied with the texts. But what separates members today is smaller than what unites them," Lamy said in Geneva earlier last week.

The US has said it is examining the proposals. Disputes over farm trade liberalisation have soured the Doha talks ever since their launch in the Qatari capital in November 2001.

The negotiations, aimed at breaking down barriers to trade in agriculture, industrial products and services, were suspended last summer after the US and the EU failed to agree on measures to open up farm trade.

Prospects for a deal further faded even further last month after four of the WTO's largest trading powers - the US, EU, India and Brazil - failed to bridge differences at a meeting in Germany.



Dust rises while a farmer works on his dry field in Rossow, Germany, May 4, 2007. Due to the continuing drought, farmers expect severe crop losses in eastern Germany. Some farmers in Brandenburg fear that they will have to completely give up their winter wheat

## Europeans must save water or face droughts, dry seasons

European citizens and industry must curb water consumption and use water in a more efficient way or face severe droughts and water scarcity in the next decades, the European Commission said July 18.

EU member states must raise water prices, promote water savings and water efficiency and adapt economic activities to the amount of water available locally, the commission said.

"Sustainable water use is absolutely vital if we are to ensure that enough water is available to all European citizens and economic activities," said EU Environment Commissioner Stavros Dimas.

Europe is currently wasting some 20 percent of water available with the figure likely to go up to 40 percent, the commission said. Over the past 30 years droughts cost the European economy at least 100 billion Euro.

If member states failed to introduce water saving policies, droughts and water scarcity in Europe would be "a normality rather than an exception" in some 50 years, commission experts warned.

"We need to create a water saving policy like we did for energy," they said, accusing member states of dragging their feet in implementing EU rules on water pricing. Putting "the right price" on water is essential to make Europe's economies water-efficient and water-saving, the experts said.

Measures should include compulsory metering programmes as well as the promotion of water-saving devices on taps, shower heads and toilets, the commission said.

EU governments also must make water saving the priority in policies for water-dependent sectors such as agriculture and tourism, the EU executive body said.

Increasing water supplies was not a solution, commission experts warned. While water resources could only be increased to a certain limit, such action would also lead to higher energy consumption. This in turn would speed up climate change and lead to water scarcity and droughts.

"The major impacts of water scarcity and droughts are expected to be made worse by climate change," Daims said, adding: "We thus need an integrated approach on water."

## Merkel calls for US-style vetting state fund bids

The European Commission on July 18 said it planned to take up in the autumn of German Chancellor Angela Merkel's call for vetting investments by foreign state-controlled funds.

A spokesman for the commission - the European Union's executive body - said that the bloc's treaty enshrined the principle of the free movement of capital. It also banned any differentiation between state and private sector investments.

But the spokesman said Merkel's assertion that foreign state funds may be acting to gain political influence rather than for commercial reasons required further study.

Merkel called for the introduction of transparent control mechanisms like those in force in the United States to scrutinize corporate acquisitions by foreign state controlled investors.

Her remarks came amid fears in her administration that newly-rich state corporate behemoths in Russia and China could take over key industrial sectors in Europe's biggest economy.

Merkel said that she wanted a wide-ranging discussion on the issue, including drawing on the expertise of industry, which has long experience in dealing with foreign capital.

The chancellor said she also favoured discussions among the EU's 27 members for a uniform definition of "strategic industries" which might be covered by such mechanisms.

## Strong mandate is sought for Chad peacekeepers

The European Union must agree on sending troops to protect Darfur refugees in Chad and give them authority to use force, international experts said last week. Any European mission deployed to Chad must be given "rules that give the troops the right to open fire when they or the civilian population are under attack," Alain Deletroz, vice president of independent think-tank International Crisis Group, told a news briefing. EU foreign ministers are expected to discuss the issue of sending European peacekeepers to Chad at a regular meeting this week. The United Nations had peacekeeping troops in Rwanda as the 1994 genocide unfolded, but its mandate was strictly limited to monitoring ceasefire violations. EU foreign policy chief Javier Solana said recently that the EU was considering sending troops to protect Darfur refugees living in camps in Chad ahead of

the arrival of a planned African and United Nations force in western Sudan.

France last month asked the EU to send up to 12,000 troops to Chad to set up a humanitarian corridor to Darfur refugees. The conflict between the pro-government Janjaweed militia and ethnic African rebels has been ongoing for over four years in Sudan's western region of Darfur, killing over 200,000 and driving an estimated 2.5 million people from their homes.

The EU must also take quick action to make the Chadian government stick to its promise to set free thousands of child soldiers, said Lotte Leicht, EU director of Human Rights Watch. "The protection of the children and assistance that they are demobilised and reintegrated into society" was a major duty for the 27-member EU, Leicht said. Thousands of child soldiers remain part of the Chadian army and its

allied paramilitary forces, despite promises by the government to set them free, Leicht said, calling for stronger action to end the practice, which is widespread in African countries, with so many at war.

EU foreign ministers must remind all parties involved in the Chad conflict "that the recruitment of children is a war crime," she said. Leicht said that the EU had the duty to support the International Criminal Court for war crimes which is investigating the issue of child soldiers in Chad. If the Chadian government refused cooperation with the court, government officials should be banned from a planned EU-Africa summit in December, she demanded. Human Rights Watch has said that it has evidence for the recruitment of children by all parties in the conflict in Chad. Children have been mobilised to serve as fighters as well as cooks, guards and lookouts on the frontlines.





A Belarusian family dry potatoes they harvested in the outskirts of the town of Novogrudok, 150 kilometres west of Minsk

## One potato, two potato, three potatoe, GMO potato more

European Union farm ministers on July 16 failed to break a deadlock over plans to allow the large-scale cultivation of a controversial genetically-engineered potato, clearing the way for a European Commission move to authorise the product. EU rules mandate the commission - the EU's executive body - to act on its authority on some key issues if the bloc's governments cannot resolve their differences. The commission has said it favours the introduction of the controversial potato, which includes genes making it resistant to antibiotics, since it will only be used for starch production and as animal feed. "It will not enter the nutritional chain," said a commission spokeswoman. If the commission goes ahead with the authorisation, it will be the first time since 1998 that a genetically-engineered plant is given permission for cultivation in the EU. The commission decision could take some time, however. But the international environmental group Greenpeace said an EU go-ahead for cultivation of the potato would amount to allowing controversial genetically modified crops to enter the EU "through the back door." Italy and Austria are leading the group of EU states which oppose the cultivation of genetically-modified crops in the bloc. Other states, including Britain, however, favour the move. Greenpeace has called on governments to reject the potato, which has been developed by German chemical company BASF, saying it poses significant risks to health and the environment. EU rules demand that genes which may have adverse effects on human health and the environment should be phased out. However, the European Food Safety Authority has given a positive opinion on the BASF-developed potato, saying its antibiotic resistance genes do not pose a "relevant" risk to human health or the environment. Greenpeace has warned that the genetically-engineered potato did not undergo full risk assessment including its effect on biodiversity. The organisation also said the potato could contaminate the food chain.

## China warned by EU over product safety

The European Union's top consumer affairs official said she will ask China to seek improvements in the country's product safety standards, amidst a growing rash of commodities from that country that are fake or pose a health hazard. The visit by EU commissioner Meglena Kuneva from July 22-26 comes amid growing concern in Europe and the US about the safety of Chinese exports of consumer goods such as toys and toothpaste. Kuneva is set to meet senior Chinese officials as well as representatives of Chinese industry and consumer associations. She will also visit toy factories and a testing laboratory. "Her aim is to ensure...further actions to improve the safety track record of Chinese manufactured non-food consumer goods," said the European Commission, the EU's executive body. Officials said Kuneva would also discuss issues such as enforcement of safety and quality standards, rapid alert systems and effective market surveillance. The commissioner will insist that "trust in the market is essential," an official said, adding that it was in both China and the EU's interest to build strong co-operation and to expand the EU-China product safety monitoring system. The commission said that its rapid alert system for dangerous consumer products had been notified of defective toys, electrical appliances, cars, cosmetics and lighting equipment, half of which originated in China. China exported goods worth 191 billion Euro to the EU in 2006, running up a trade surplus of 128 billion Euro.

European Union governments must work harder to close the pay gap between men and women by ensuring better application of gender-equality legislation, the European Commission said July 18.

"Girls out-perform boys at school and more women enter the labour market with a university degree than men, but a pay gap of 15 percent persists. This is an absurd situation and needs to change," said Vladimir Spidla, European Commissioner for employment and social affairs.

In addition to stepping up implementation of laws, Spidla said plugging the pay gap must be an integral part of governments' employment policies. Pressure must also be put on employers to ensure there is no discrimination against women, he said.

A report by the commission - the EU's executive body - said that the difference in pay between men and women had not changed in a decade. The gender pay gap represents the difference between average hourly pay for women and men before tax across the economy as a whole.

"The pay gap is a complex issue with multiple causes. Sometimes we see pure discrimination. But often reasons are hidden. Women do more unpaid work, like taking care of the household and dependents," Spidla told journalists.

The commissioner also



Slovenian Minister of Family Marjeta Cotman, her German counterpart Ursula von der Leyen and Portuguese Secretary of State of the Presidency Jorge Lacao Costa exchange signed contracts on gender equality at the informal meeting of European Ministers for Equality and Family in Bad Pyrmont, Germany, May 15, 2007

pointed out that women did more part-time work and said that women-dominated jobs and sectors were on a lower pay scale. The commission report said that one of the main causes of the discrimination was that way women's competences were less valued than men's.

As a result, jobs requiring similar qualifications or experience tended to be paid less when they were dominated by women than by men. "For example, in some countries nannies earn less than car mechanics, supermarket cashiers less than warehouse workers, nurses less than the police," said the commission.

The EU executive said that the pay gap also reflected inequalities on the labour market, especially the difficulties in reconciling work with private

life. Women with part-time jobs and those who took frequent career breaks because of children were less likely to hold managerial positions and encountered more obstacles and resistance as they proceed along their career paths, the commission report said.

"As a consequence, women's career paths are more often interrupted, slower and shorter, and hence less well paid than men's," it said.

Citing the example of Malta and Germany where the disparity is as diverse as four percent and 23 percent respectively between different genders, the commissioner pointed out that it did not mean Malta was better off dealing with disparity, just Malta had less women going out to work.

The commissioner felt

"direct discrimination is difficult to assess" and where it is detected, there is "possibility to resolve it in general terms."

In the Czech Republic, in 1870, the first woman went to University but today 60 percent of all graduates there are girls, announced commissioner Spidla. Answering a question about "paternity leave" subject, the commissioner said, "By 2008, we will carry out this analysis and we will find a way out." "It is unacceptable that a woman takes a year off after 25 years and that loss follows her for rest of her life," with pay rate discrimination as seniority suffered. EU statistics showed that the pay gap grows with age, with differences in pay estimated at over 30 percent in the 50-59 age group and seven percent for the under-30s.

## Rankling Polish MEP compares Merkel to Hitler

A controversial far right-wing Polish member of the European Parliament (MEP) has compared German Chancellor Angela Merkel to Nazi dictator Adolf Hitler, Poland's Zycie Warszawy (ZW) daily reported July 17. "Hitler wanted to create a superpower in Europe - Angela Merkel is acting the same, but she is far more clever," Maciej Giertych of the marginally popular Catholic-nationalist League of Polish Families (LPR) told ZW. "She gives way on superficial matters, but really she is making sure Germany has the strongest position in Europe," he said.

Other Polish members of the European Parliament have expressed deep disdain for Giertych's comment. "Mr Giertych is in urgent need of medical attention. For the last 40 years Germany has been introducing democratic principles and we have a great opportunity to enter a beneficial alliance with it, but comments like this undermine it," left-wing MEP and former Polish foreign minister Dariusz Rosati told ZW.



Maciej Giertych

"The only hope is that no one on the international arena will take seriously yet another nonsense comment of Maciej Giertych," MEP for Poland's ruling Law and Justice (PiS) party Konrad Szymanski told ZW. Giertych has continually been a thorn in the side of his fellow MEPs from Poland and other countries with his comments. In March, the European Parliament sanctioned Maciej Giertych for publishing an anti-Semitic pamphlet. He received a reprimand for violating parliament's principles on respect and

tolerance in connection with a 32-page booklet published in February and titled Civilisations at War in Europe.

In it, the controversial MEP said that Jews were "biologically different" from "gentiles" and "prefer to voluntarily live separately from the communities which surround them."

Maciej Giertych is the father of LPR party leader Roman Giertych who serves as a deputy prime minister and education minister in the conservative PiS party-led government of Prime Minister Jaroslaw Kaczynski. Last year, Polish media identified the MEP's young female assistant in pictures of what appeared to be a neo-Nazi drinking party.

A junior coalition partner for the PiS, the marginally popular LPR which holds only 29 seats in Poland's 460-seat parliament, recently announced it would join forces with populist farmers' party coalition partner Samoobrona to create the Liga and Samoobrona (LiS) party.

The move is seen by analysts as a desperate attempt to

bolster flagging popularity which could see both parties fail to enter parliament in a possible future ballot.

Referring to published reports of remarks made by Maciej Giertych MEP, Mr Joseph Daul, Chairman of the EPP-ED Group in the European Parliament, described the reported remarks as unacceptable, irresponsible and wrong. Daul, leader of the most influential political Group in the European Parliament, said it was outrageous that this type of language could be used in the place of real political debate.

"This type of rhetoric is negative, absurd and without any basis in fact. Mr Giertych was not present at the negotiations, his insults are without foundation", declared Joseph Daul. "For the record, Chancellor Angela Merkel has done a great service to the European Union. She received the full and unreserved agreement of all 27 Member States for the result she achieved at the European Council meeting at the end of June."



# Solana talks of revival

## EU vows joint efforts with US on Mideast peace hopes

**T**he European Union has vowed full support for US President George W. Bush's renewed drive to revive stalled Middle East peace talks and seek a two-state solution to the conflict.

EU foreign and security policy chief Javier Solana said the 27-nation bloc also backed Bush's call for an international conference to explore moves to create an independent Palestinian state.

"The European Union will continue to work side by side with the United States ... in a determined effort to bring about an end to the Arab-Israeli conflict," said Solana.

Solana said the proposed international meeting would also give substantial support to the parties in negotiations towards a permanent settlement. The diplomatic Quartet - whose members include the US and the EU as well as Russia and the United Nations - would have a "major part" to play in such a gathering, he added.

Solana is also expected to underline EU support for the Bush initiative in talks with the new Quartet envoy and former British premier Tony Blair who was in Brussels for meetings with key EU officials.

The Quartet was to meet in Lisbon for the first time since the appointment of Blair.

It was also the first encounter of the group since



*Palestinian President Mahmoud Abbas (R) talks with European Union Foreign Policy Chief Javier Solana during their meeting at Abbas headquarters in the West Bank town of Ramallah, July 18, 2007*

Hamas captured the Gaza Strip in June and the subsequent nomination of a non-Hamas interim government led by Palestinian prime minister-designate Salam Fayyad.

Bush has said the US will provide full backing to Blair's peace efforts but several EU officials and ministers, including Solana, were taken aback by the US push to give the former British premier the Quartet job.

Like the US, the EU has pledged to improve the clout and standing of Palestinian President Mahmoud Abbas and his moderate Fatah movement.

But unlike Washington, the EU has yet to release millions of dollars in direct aid to the Fatah-led Palestinian government. The funds were frozen after last year's Hamas electoral victory.

The militant group is black-listed as a terrorist organisation by the EU and the US.

The EU has, however, been channelling aid for the Palestinian health and security sector through non-governmental aid groups.

Officials said an estimated 700 million Euro in such emergency aid was sent to Gaza and

the West Bank last year. The money was used to pay the salaries of teachers, doctors and health workers and for supplies of fuel, water and electricity to the territories.

Bush has announced USD 190 million in direct aid to the Palestinian government, with an additional USD 80 million for security. The amount includes funding humanitarian causes in Gaza.

"We are showing the Palestinian people that a commitment to peace leads to the generous support of the United States," Bush said.

## Shhhhhh... Commission can't hide lobbyists' names any more

Corporate Europe Observatory on July 19 welcomed the European Ombudsman's conclusion that data protection and privacy rules do not justify secrecy around the names of industry lobbyists. They said Ombudsman Nikiforos Diamandouros described the European Commission's practice of blanking out of lobbyists' names in documents released under EU access to document rules as "maladministration."

Diamandouros, however, postponed taking action to make the Commission change its policy until the European Court of Justice has delivered its judgment in a pending case on data protection versus access to documents. In October 2005, Corporate Europe Observatory, an Amsterdam-based lobby watchdog, submitted a complaint against the European Commission after Directorate-General Trade - led by Peter Mandelson - had started blanking out the names of industry lobbyists in correspondence, minutes of meetings and other documents released under EU access to document rules. Corporate Europe Observatory said it has over the last years attempted to monitor DG Trade's relations with corporate lobby groups such as the European Services Forum, which by many civil society groups are seen to enjoy privileged access and influence over EU trade policies. In its response to the Ombudsman, the Commission argued that the disclosure of the names of the lobbyists would "undermine the protection of the privacy and the integrity of the individual." The Commission also referred to data protection rules as a justification for the secrecy. Corporate Europe Observatory said it considered this argumentation an abuse of rules that were never intended for keeping names of business lobbyists away from public scrutiny. In his final judgment, the Ombudsman also rejected the Commission's argumentation. "Blanking out names of industry is the opposite of transparency. The Ombudsman's judgment is good news, also for those within the European Commission that are dedicated to improving openness in EU decision-making," said Olivier Hoedeman, research coordinator at Corporate Europe Observatory. But Corporate Europe Observatory said it regretted the Ombudsman's failure to take further action towards ending the European Commission's distortion of privacy and data protection rules. "Nothing less than the right of citizens to information about the role of lobbyists in EU decision-making is at stake. It would be unacceptable if a verdict of the European Court of Justice in a very specific and only remotely related case could be misused to counter efforts to improve transparency on lobbying," said Erik Wesselijs, transparency campaigner at Corporate Europe Observatory. The ruling of the European Court of Justice is expected in the fall. There was no immediate response from the Commission.

## Almunia urges Cyprus to speed up Euro preparations

The European Union has urged Cyprus to step up preparations for next year's introduction of the Euro and said Malta was on track to start using the single European currency.

Both countries, which joined the EU in May 2004, will switch from their national currency to the Euro as of January 1, 2008, bringing the total number of Eurozone members to 15.

"Cyprus has made good progress (on the Euro) but must speed up the preparations now. Malta's practical preparations are well advanced," said the European Commission.

EU monetary affairs commission Joaquin Almunia said both Cyprus and Malta must now finalise preparations to ensure that the introduction of the Euro is a success.

Cyprus has said that 400 million Euro coins - being produced by the Mint of Finland following a public tender - will be needed for the domestic market.

Commercial banks will start receiving Euro cash in the second half of October 2007. Afterwards, retailers will be



*Illustration of two Euro coins with the Cyprus and Malta backside pictured during the official festivities to celebrate Malta and Cyprus joining the Eurozone, at the European Union headquarters in Brussels, Belgium, July 10, 2007*

provided with Euro cash by commercial banks, so that they can give change in Euro as from January 1, 2008.

The general public will be able to buy Euro coin starter-kits from early December.

To address widespread fears about abusive price increases during the changeover process, the Cypriot government has made it compulsory for retailers to display prices both in the national

currency and in Euro as from September.

Euro coins for Malta are being produced by the French Mint and domestic needs are estimated at around 200 million coins.

In order to address consumers' fears about price increases around the changeover date, Malta has implemented the FAIR (Fair-pricing Agreements in Retailing) initiative, launched in January 2007 which has the strong support of the business sector.

"Malta's communication activities on the Euro are also exceptionally comprehensive and of a very high quality," the commission said.

The commission said that Slovakia, which plans to join the Euro in 2009, needed to speed up preparations for the currency changeover and said further measures should be taken to ensure consumer confidence in stable pricing around the changeover.

EU finance ministers recently gave the final formal green light for Malta and Cyprus to join the Eurozone next year.

## Reding favours speeding up use of mobile TV

Europe's governments and industries must speed up the roll-out of mobile TV services or risk losing Europe's competitive edge in the new market, the European Commission said July 18. Mobile TV is a new technology that allows several television, video and radio channels to be broadcast to mobile devices. While South Korea has a mobile TV penetration rate of 10 percent, the rate in Italy, the 27-member EU's most advanced market, is less than one percent, the commission said. "Europe is today at a crossroads," said EU Telecoms Commissioner Viviane Reding. "We can either take the lead globally - as we did for mobile telephony based on the GSM standard developed by the European industry - or allow other regions take the lion's share of the promising mobile TV market," she said. Mobile TV could be a market of up to 20 billion Euro (USD 27.5 billion) by 2011 and reach some 500 million customers worldwide, the commission said.

2008 would be crucial for mobile TV take-up in the EU as people want to watch the Beijing Summer Olympics Games and the European Football Championship, the EU executive said. "The time has come for Europe's industry and governments to switch on to mobile TV," Reding said. "Wait-and-see is not an option." Member states should roll out services using a mobile TV technology developed by Finnish phone maker Nokia, the commission said. The technology is also used by US-based mobile phone producer Motorola. Digital Video Broadcasting for Handhelds (DVB-H) "is the strongest contender for future mobile TV," the commission said. The use of the DVB-H standard would be "legally encouraged" among all EU member states. If necessary, the use of the technology could be mandated as of 2008, the commission said.



## Russia to review reserves at 3 Imperial Energy fields

A working group set up by the Russian Natural Resource Ministry has approached the reserves auditor DeGolyer and MacNaughton (D&M) with a proposal to review its conclusions on reserves at three fields owned by Nord Imperial, a subsidiary of Britain's Imperial Energy, the ministry said in a press release. According to the statement, the appraisal of Nord Imperial reserves at the Snezhnoye, Festivalnoye and Kiev-Yeganskoye fields "are inflated." The ministry said that when carrying out its audit D&M took into consideration the amount of oil net pay at wells, which gave non-commercial yields or turned out to be dry. As a result, a significant area was classified as 1P and 2P, although in fact the number of wells drilled in these areas is insignificant, the working group said in its concluding report. D&M appraised reserves at the Kiev-Yeganskoye field in an area of 135 square kilometres, but of the 10 wells drilled only one provided a commercial oil yield, the ministry said. At the Festivalnoye field about 15 square kilometres were classified in the 1P category, although only two wells were drilled, and according to SPE methodology this is insufficient to classify reserves as proven.

## Gazprom to invest in Krasnoyarsk territory by 2030

Gazprom will invest around 420 billion rubles to develop the gas industry in Krasnoyarsk territory up to 2030, Alexander Ananenko, a Gazprom deputy CEO, told reporters on July 18. Investment for geological exploration work will be increased to seven billion rubles a year soon, he said. Investment is planned at four billion rubles in 2007. "The region contains 32-36 percent of the gas in Eastern Siberia, but not more than 10 percent of the reserves have been developed. Therefore we will first of all increase investment for geological exploration and even increase it if seven billion rubles is not enough," Ananenko said. There are plans to start the industrial exploitation of a number of deposits in the region and to build 1,500 kilometres of gas pipelines. Krasnoyarskgazdobycha, a Gazprom subsidiary, will implement the project in the region. It currently manages 12 facilities with gas reserves of 180 billion cubic metres. The company is planning to increase reserves to two trillion cubic metres, Ananenko said. Gazprom's investment plans were set out in an agreement signed Tuesday by Ananenko and Governor of the Krasnoyarsk territory Alexander Khloponin. "According to the documents, we will also need to develop a plan of gasification for Krasnoyarsk territory that will envision optimal energy supply to the region. Work will already begin in 2007," Ananenko said. "Gas production isn't developed enough right now of course and the signed documents are a big push and an important stimulus."

## ConocoPhillips to close Azerbaijan office in fall

ConocoPhillips is to close its office in Azerbaijan from September 30, 2007, the company said in a statement. ConocoPhillips is currently a participant in the Baku-Tbilisi-Ceyhan project in Azerbaijan, where it has a 2.5 percent stake. Previously ConocoPhillips was also a participant in the Zafar-Mashal prospective project. The production sharing agreement for Zafar-Mashal was signed on April 27, 1999 by SOCAR (50 percent), Exxon Mobil (30 percent) and ConocoPhillips (20 percent), but was later dissolved. The first exploration well at Zafar failed to reveal commercial reserves and ExxonMobil, as the operator, refused to continue exploration work and paid compensation to SOCAR.

## All Sakhalin II gas now under contract

The supervisory board of Sakhalin Energy, the company operating the Sakhalin II project, held its first session with the participation of Gazprom and agreed a major natural gas sales contract, the industry and energy ministry said in a statement. "Thus, it is possible to say that practically the entire volume of gas (9.55 million tonnes a year) produced under the two lines of the production-sharing agreement is now under contract," it said. The board also confirmed FinExpertiza as its independent auditor to audit the company's financials for 2006-2008. The auditor was selected in a tender.

# Schroeder to overcome NEGP construction difficulties

Gerhard Schroeder, head of the shareholder committee of Nord Stream AG and former German chancellor, said there has been significant progress in the implementation of the Russian-German project of building the North European Gas Pipeline along the bed of the Baltic Sea.

Russia's Channel 1 quoted him in an interview on July 18 that there was an apparent advancement. However, he admitted certain problems with construction. "The main difficulty today is to receive due permits from countries in the zone of the future operations. But we see that an increasing number of people understand the need for the project the main purpose of which is to bring natural gas to Europeans," he said.

"We realise that Europe increasingly needs this raw material with every passing year. This is a fact. And there is no more reliable supplier than Russia. If we are annually importing about 500 billion cubic metres of gas now, we



Gerhard Shroeder (L) talks to Russian President Vladimir Putin during their meeting in Svetlogorsk, June 3, 2005. Now head of the shareholder committee of Nord Stream, Schroeder has said there has been significant progress in the implementation of the Russian-German project

will need 150 or 200 billion cubic metres more in the next few years, according to expert estimates. We won't be able to get such volumes without a new gas pipeline," he said.

Therefore we, Europeans, need the new gas pipeline as much as the exiting routes crossing Poland and Ukraine. Therefore I am happy about the appearance of one more

project - the South Stream. And I hope that it will also be carried out," Schroeder said adding that the South Stream is no competitor to the main project.

## Chevron drills several wells in Yamal-Nenets

North Taiga Neftegas, a joint venture between Chevron and Gazprom Neft, has drilled several productive exploratory wells in the Yamal-Nenets Autonomous District, Vedomosti newspaper quoted Chevron CEO David O'Reilly in an interview. O'Reilly said he could not disclose how much money is being invested in the project, but said the company has already carried out partial geological exploration in the region and drilled several exploratory wells that turned out to be productive. He said a valuation needs to be carried out and a few more wells need to be drilled over the next year or two, as is usually done in the early stages of such projects.

Chevron is to finance addi-

tional exploration at four sections belonging to Gazprom Neft within the framework of the joint venture North Taiga Neftegas. The companies expect to sign several more agreements regarding the management and financing of North Taiga Neftegas, when the joint venture will be completely set up.

O'Reilly said he does not consider the joint venture with Gazprom Neft an insignificant project. He said when Chevron launched the Gorgon gas project in Australia, it did not seem particularly large at first, but now there are 60 trillion cubic feet in gas reserves at the field, one of the largest in the world. Chevron started out with one well at the field, he said.

If the North Taiga Neftegas project is successful, Chevron will hold a 49 percent stake in the joint venture, while Gazprom Neft will have a 51 percent stake, he said. Gazprom Neft President Alexander Dyukov, however, said in a June interview that his company would have a 75 percent stake in the joint venture with Chevron in the next two-three months.

Chevron also intends to take part in tenders for other fields in Russia, O'Reilly said. Plans for participating in the tenders are still in their early stages, but Chevron could potentially be interested in several licenses, particularly in Western Siberia in addition to the Russian sea shelf and the Arctic, he said.

Commenting on the investment climate in Russia, O'Reilly said Russian President Vladimir Putin recently made it clear at the St. Petersburg Economic Forum that Russia is seeing intense growth in all areas of the economy - GDP, reserves, investment, employment and quality of life. All of this appears very positive, and investors are expecting enormous opportunities in Russia, he said.

O'Reilly also cited a recent statement by First Deputy Prime Minister Sergei Ivanov, who said the government is planning to make regulations in Russia more transparent, including in the oil and gas industry. This is very important for those who want to invest in Russia, he said.

## Gazprom participation in Iran-Pakistan-India welcomed

Pakistan welcomes Gazprom participation in building the Iran-Pakistan-India gas pipeline, Pakistani Ambassador to Russia Mustafa Kamal Kazi said at an Interfax press conference on July 19 in Moscow.

"We are happy about Russia's interest and hope for partnership with Gazprom not only in this project. We are ready to offer territory in concession for production and development. We hope that Gazprom will use this offer," Interfax quoted him as saying. An agreement on building the gas pipeline has been approved from all country participants in the project, the price for gas has been set and payment for transport, he said.

Each country will build and be responsible for the part of the gas pipeline that goes through its territory, Kazi said.

## Gazprom to propose changes to Kovykta license soon

Gazprom is to submit its proposal on changes in the license agreement for the Kovykta gas condensate field to the Russian Natural Resources Ministry, which launched a formal mechanism to revoke the license for the field from Russia Petroleum, a subsidiary of TNK-BP, by the end of the summer, Russian Natural Resources Minister Yuri Trutnev told journalists on July 17. "They asked for such a break," Russian Natural Resources Minister Yuri Trutnev said commenting on results of recent talks with Gazprom managers on the issue. "We agreed that Gazprom will come up with its ideas for bringing the Kovykta field into production," Interfax quoted Trutnev as saying. According to the conditions of its license, Kovykta operator Russia Petroleum should have supplied nine billion cubic metres of gas to Irkutsk region in 2006.



# Trans-Sahara gas pipe opens EU diversification possibilities

**T**he Trans-Sahara Gas Pipeline project which could supply gas from Nigeria to Europe through Niger and Algeria could lead to diversification of the EU's energy supplies.

At a conference on the pipeline two weeks ago, European Energy Commissioner Andris Piebalgs said emphasised the importance of energy cooperation through the existing Euromed framework and the forthcoming EU-Africa Energy Partnership and underlined that the diversification of suppliers and routes is a key part of the EU's strategy for the security of energy supply.

"The Trans-Sahara Gas Pipeline could constitute a promising supply source and route for the EU. In this context, the available proven gas reserves, the feasibility of the project, its economic viability and the geopolitical developments in the region need to be clearly assessed. Today's con-



(L-R) Nigeria's Department of Petroleum Resources head Tony Chukweke, EU Energy Commissioner Andris Piebalgs, Algerian Energy and Mining Minister Chakib Khelil, and Niger Energy and Mining Minister Mohamed Abdoulahi at a press conference on the Trans-Sahara Pipeline Project, in Brussels, July 9, 2007

ference should help provide us with some preliminary answers to those questions", Piebalgs said.

The 4300 kilometre long Trans-Sahara Gas Pipeline's departure terminal would be Brass in the Niger delta and its arrival terminal could be either

Beni Saf or El Kala in Algeria. The pipeline's capacity should reach up to 30 billion cubic metres starting by 2015.

Algeria's Energy and Mines Minister Chakib Khelil issued a call for investors at the conference and urged European countries in particular to sup-

port the project as a concrete sign of their commitment to help Africa.

"We're convinced today more than ever about the need for its implementation, given not only its feasibility but also its strategic importance for the whole region," he said.

## Russia deputy premier to coordinate work on ESPO

Russian Deputy Prime Minister Sergei Naryshkin has been appointed to coordinate the activities of federal bodies during the implementation of the Eastern Siberia-Pacific Ocean pipeline project, a government source said. Interfax quoted him as saying on July 18 Russian Prime Minister Mikhail Fradkov made this appointment.

The first meeting of interested departments and organisations - the transport ministry, the natural resource ministry, the economic development and trade ministry, the federal Tariffs Service, and Transneft was

held on July 11.

Initially the Industry and Energy Ministry was appointed as the ministry responsible for the project, but Transneft proposed to the government to support the project not at ministerial level, but at government level, the source said.

Speaking about the current situation with the Eastern Siberia-Pacific Ocean pipeline project, the source said that at the moment there is a positive ecological review of the project and a review of the project by Glavgosexpertiza is being completed.

The source said that initially it was planned that the first stage of the Eastern Siberia-Pacific Ocean pipeline project (from Taishet in Irkutsk region to Skovorodino in Amur region) would be filled with resources from Tomsk region, Khanty-Mansiisk autonomous district and also Eastern Siberia. However at the moment, according to Transneft, oil companies have applied to supply oil from Eastern Siberia to the pipeline in an amount that exceeds the first phase capacity.

To ensure supplies of crude for the pipeline, the natural

resource ministry has approved a licensing programme in eastern Siberia which involves setting up four oil production centers in the region: Talakansko-Verkhnechonsky, Yurubcheno-Kuyumbinsky, Sobinsko-Teterinsky and Botuobinsky.

According to the natural resource ministry, the development of these centres will make it possible to reach production of 30 million tonnes of oil per year by 2015, and the inclusion of satellite fields in this development will increase production in the region to 36 - 37 million tonnes by 2020.

## Oljepropektering hopes to find oil in Baltic Sea

A Swedish company hopes to find oil in the Swedish economic zone near the Baltic Sea island of Gotland, reports said on July 18.

The company Oljepropektering AB said it had conducted tests that showed signs of oil in the zone, some 150 kilometres

south-east of Gotland. The area borders zones held by Poland, Latvia, Lithuania and the Russian exclave Kaliningrad.

Oljepropektering Chief Executive Torgny Berglund was optimistic, noting that Poland pumps 15,000 to 20,000 barrels of oil per day in their zone, the

Gotlands-Tidningar newspaper said.

At the end of July, the company planned further sonic tests and in 2008 planned to begin test drilling, Berglund said. "If our estimates are correct we could pump 50,000 barrels a day. That would cover 20 per-

cent of Sweden's needs for 20 years," Berglund said.

Permits for drilling have yet to be approved, but Berglund said the company was aware of the environmental regulations and planned to use similar technology as Norway uses in the North Sea.

## Industry Committee endorses EU coordinators

The nomination by the European Commission of four project coordinators in the field of energy was approved by the European Parliament's Industry, Research and Energy Committee on July 17. The coordinators, Wladyslaw Mielczarski, Georg Wilhelm Adamowitsch, Mario Monti and Jozias Van Aartsen, will be responsible for monitoring several key energy infrastructure projects to

ensure their timely and successful realisation. Van Aartsen, former Foreign Minister of the Netherlands, will be in charge of the Nabucco gas pipeline project.

"I am very pleased that the committee has approved by an overwhelming majority the European Commission proposal to nominate four European co-ordinators on four very important energy network pro-

jects", said committee chair Angelika Niebler. "I am very confident that the nominated European co-ordinators will be a good choice and that they will make these important European energy infrastructure projects a success", she added.

"I am delighted by the committee's green light for these four coordinators," said EU Energy Commissioner Andris Piebalgs.

### Inside Energy

## Iran-Turkey deal: The sum of all US-Russia fears

In today's world, decisions on energy are made not only on economic terms but, unfortunately, geopolitics also plays a major role. In this sense, Turkey's agreement with Iran to transport some 30 billion cubic metres of Iranian and Turkmen natural gas westward to Europe, while it makes good business sense for Turkey, Iran and the EU, may prompt a retaliatory response from the United States and Russia who oppose the deal for different reasons.

Washington wants to isolate Tehran over the controversy surrounding Iran's nuclear programme and its alleged role in destabilising Iraq. The US does not want Turkey to work alongside Russia or Iran. They would rather have Turkey work with Azerbaijan on the Shakh Deniz field or concentrate on purchasing its gas needs from Iraq.

Moscow, for its part, would like Turkey to boost its role in Russia's Blue Stream II pipeline project and is against Ankara's deal with Tehran which would feed Iranian gas to the EU-backed 3,300-kilometre pipeline project, known as Nabucco, a project to pump Caspian gas to Europe via Turkey, Bulgaria, Hungary and Austria, bypassing Russia.

The European Commission was careful in its reaction on the Iran-Turkey deal. "That is the Russian and the American opinion. We would like to have as much information as possible to make a good analysis before making any comment because it is a delicate issue," European Commission spokesman for energy, Ferran Tarradellas Espuny, told New Europe on July 18.

The spokesman reiterated earlier remarks that the EU is looking for Iranian gas to feed into Nabucco, but he stressed "if the geopolitical circumstances allow it. We want to have good relations with everybody and certainly with Iran, which has the second largest resources of gas and it is near the European Union." The Iran-Turkey deal may help wean the EU from its dependence on Russia for natural gas and at the same time boost Turkey's role as a transit country for energy supplies to the 27-nation bloc, improving European and Turkish relationships.

"Russia is already the largest exporter of natural gas to Europe, and I think it would be wise for Turkey to cut a deal with the Iranians," Fadel Gheit, an oil analyst at Oppenheimer and Co. in New York, told New Europe on July 18.

Recent developments between Russia's Gazprom and Italy's ENI to build the South Stream pipeline have sped up the Iranian-Turkish talks.

A Turkish diplomat told New Europe on July 18 that the deal is good for Turkey, Europe and the integration of Iran. He noted that Russian gas is expensive while Iranian gas is now getting cheaper.

But the deal may be an additional burden on the relations between Washington and Ankara already chilled by Turkey's alleged military operations to crack down on PKK rebels in northern Iraq. Turkish Prime Minister Recep Tayyip Erdogan has already rejected US criticism, saying Ankara is looking after its own interests.

"The relationship between (the) US and Turkey will be obviously negatively impacted with the continuous interference in the internal affairs of all these countries," Gheit said. "I would not be surprised at all if the US would underwrite development projects in Turkey to persuade the government to drop negotiations with Iran."

But the Turkish diplomat said was more optimistic. "I'm not thinking like this ... This deal is in the benefit of all countries. We cannot refuse it. Gas is indispensable."

A window of opportunity for Turkey has opened, but a risky one at that. "Turkey took a very bold step by making this deal with Iran," former Greek Energy Minister Eleftherios Verivakis told New Europe on July 17.

Meanwhile, Moscow said Russian-Turkish relations will not be strained by the deal. But it cautioned Ankara that it could reduce the importance of Turkey's role in the Blue Stream II project. It also warned Turkey that any major event inside Iran, such as a US attack against the country, could cause Ankara to lose USD six billion.

According to media reports, the balance in the internal White House debate over Iran has shifted back in favour of military action before US President George W Bush leaves office in 18 months. Vice President Dick Cheney, who has long favoured upping the threat of military action against Iran, called for this administration to resolve the Iran situation now. As Gheit pointedly said, "I hope this does not involve bombing them because the only language this administration knows is the language of military action which has been disastrous for all."

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## Germany unhappy over how the choice was made

Germany is unhappy at the way former British premier Tony Blair was chosen for his new role as an international Middle East peace envoy, press reports said, although Chancellor Angela Merkel was quick to play down differences over the method of his selection. Blair was named to the post by the European Union, United Nations, Russia and the United States, the group mediating in the Israeli-Palestinian dispute and known collectively as the Quartet. German Foreign Minister Frank-Walter Steinmeier expressed annoyance at a "lack of consultation" with Quartet members before the appointment was made, the *Sueddeutsche Zeitung* newspaper said. Germany was the EU's representative on the Quartet while holding the EU's rotating presidency until June 30. Blair held confidential discussions on the post with Washington, which formally recommended him without prior consultation with the other Quartet members, the newspaper said. "Of course that can't please the Quartet members," Steinmeier said before the appointment was formally announced in the United Nations. At the same time, the German foreign minister said that Blair was qualified for the job. The UN announcement, which came hours after Blair formally resigned as prime minister, was apparently delayed because of Russian reservations. Analysts said Blair would have a narrow mandate that includes mobilising international assistance to the Palestinians and helping to develop their institutions and economy. During his final prime minister's questions in parliament, Blair told lawmakers that his "absolute priority" would be to bring about a two-state solution to the Israel-Palestinian conflict. Merkel said Blair was the unanimous choice of the Quartet. Blair would deal directly with the Quartet, she said following talks with French Prime Minister Francois Fillon in Berlin. "The political responsibility will remain as before on the shoulders of the Quartet," she added. Merkel described Blair as a man of great political experience. She said this experience and his political cooperation and direct contact with the Quartet could provide an important contribution to finding a solution to the Mideast conflict.

## Palestinians, Israelis pessimistic about peace

A poll released June 28 showed only 31 percent of Palestinians believe it possible to reach a peace deal with the current Israeli leadership, while 42 percent of Israelis believe it is possible to reach such a settlement with moderate Palestinian President Mahmoud Abbas of Fatah. Only a quarter of Israelis surveyed believed the conflict could be resolved by talks with a Palestinian national unity government, which would include members of the Islamic Hamas movement.



Jordan's King Abdullah II

Abbas recently dismissed the unity government and formed an emergency government, without Hamas members, after the Islamic group forcibly seized control over the Gaza Strip. Many Palestinians in the West Bank and Gaza Strip said in the poll they want changes to the nature of the Palestinian Authority (PA). Overall, 41 percent of Palestinians supported dissolving the PA, 26 percent wanted it replaced it with an international trusteeship and 16 per cent favoured a return to full Israeli occupation. However, 49 percent rejected dismantling the PA. Some 42 percent of Palestinian surveyed favoured the establishment of a confederation with Jordan.

Jordan's King Abdullah and Egyptian President Hosny Mubarak have recently dismissed the idea of a confederation with Jordan, at least until an independent Palestinian state is established.

The poll, conducted by the Harry S Truman Research Institute at the Hebrew University of Jerusalem and the Palestinian Centre for Policy and Survey Research in Ramallah, also found that 89 percent of Israelis and 76 percent of Palestinians believed that armed confrontations between Palestinians and Israelis will continue.

The poll was conducted between from June 12-20, while the Hamas violent takeover of the Gaza Strip was taking place, and the centres said this should be taken into consideration when evaluating the survey figures.

# Blair named Quartet's Middle East envoy for peace

Moments after leaving office on June 27, former British Prime Minister Tony Blair was appointed as a special envoy for the Israeli-Palestinian conflict as part of an international effort to step up the peace process.

Blair was named to the post by the European Union, United Nations, Russia and the United States, the group known collectively as the Quartet designed to mediate a settlement to the Israeli-Palestinian dispute.

Blair's new job includes overseeing the development of the Palestinian economy and viable governing institutions while rallying the international community to assist the Palestinians dedicated to peace with Israel.

Blair, 56, left office after 10 years atop British politics but wasted no time in lending his diplomatic skills to the deeply challenging task of helping broker a settlement between Israelis and Palestinians.

"Tony Blair will bring continuity and intensity of focus to the work of the Quartet in support of the Palestinians, within the broader framework of the Quartet's efforts to promote an end to the conflict in conformity with the roadmap," the Quartet statement said.

The "road map" peace plan, announced in April 2003, calls for the establishment of a Palestinian state and outlined a series of steps that must be taken to achieve the goal.

The Quartet's announcement came shortly after Blair handed power to Gordon Brown and surrendered his seat in the House of Commons. Making his farewell address to parliament, Blair said achieving Middle East peace "will require a huge intensity of focus and work."

"The absolute priority is to try to give effect to what is now the consensus across the international community that the only way of bringing stability and peace to the Middle East is the two-state solution," Blair said.

"This means a state of Israel secure and confident of its secu-



Former British prime minister Tony Blair arrives at Darlington railway station, June 27, 2007, on his way to tender his resignation as a MP to his constituency party following the announcement he would be Mideast Quartet envoy

rity, and a Palestinian state that is not merely viable in terms of its territory, but in terms of its institutions and governance," he added.

Brown welcomed the appointment of Blair to the role of special Middle East envoy. Brown said Blair had demonstrated his commitment to advancing the peace process during his 10 years as prime minister.

"He brings to the job unparalleled international and diplomatic experience. He is exceptionally well placed to take on this role," Brown said in a statement.

"The Middle East peace process is one of our top priorities and we will obviously continue to support the Quartet and their new Envoy in their work," he added.

The Quartet, meanwhile, pledged to "redouble" its efforts to end the Israeli-Palestinian conflict following the ousting of Hamas from the Palestinians government after the radical militant group seized control of the Gaza Strip.

"The Quartet principals

noted that recent events in Gaza and the West Bank make it more urgent than ever that we advance the search for peace in the Middle East," the Quartet statement said.

The United States and European Union announced after Palestinian President Mahmoud Abbas on June 14 dismissed Hamas from the government that they will resume direct aid to the Palestinians that had been suspended for more than a year.

US President George W. Bush and Israeli Prime Minister Ehud Olmert have sought to bolster support for Abbas after Hamas routed his security forces in the Gaza Strip. Bush telephoned Blair, his close friend and ally, to express his appreciation of their partnership over the years and to welcome him to his fresh role in the peace process.

"I thank him for his willingness to give his time to this goal, which would be a historic step toward peace in the Middle East," Bush said in a statement released by the White House.

But White House

spokesman Tony Snow cautioned that Blair's success depends on whether the sides in the Middle East conflict are ready for peace. "He's not Superman. He doesn't have a cape," Snow said.

Olmert, who has said he wants to begin talks with Abbas on how to move forward with the peace process, telephoned Blair, calling him a "true friend of Israel" and pledging his "fullest" cooperation.

Palestinian Prime Minister Salam Fayyad, who heads the almost two-week-old emergency government set up by Abbas in the West Bank, said Blair would be "an important addition to the framework of international dealings with the Palestinians through the Quartet." Blair will be taking on the position vacant since James Wolfensohn, the former president of the World Bank, quit in 2006.

Russia had reportedly expressed reservations about naming Blair to the post but in the end went along with the plan. There were also concerns that Blair would be received sceptically among the Arab world because he strongly backed Bush's decision to invade Iraq. Hamas quickly rejected Blair, saying he will not be a fair mediator.

"Blair has always worked under the American umbrella and he was behind wars and disasters that are still going on in Iraq, Somalia, Afghanistan and Lebanon," a Hamas spokesman in Gaza, Fawzi Barhoum, said. Barhoum accused Blair of defending the Israeli occupation of Palestinian territories and the "Israeli state of terrorism against our people."

Blair said he is confident that the peace process can move forward and also believes his personal involvement in the peace process in Northern Ireland will add to his ability to do the new job.

Representatives from the Quartet met in Jerusalem to discuss the Blair appointment and reviving peace talks now that Hamas no longer has a governing role in the West Bank.

## Bush praises Blair's tenure; welcomes new role

US President George W. Bush praised former British Prime Minister Tony Blair, who left office June 27, as a "visionary leader" dedicated to freedom around the world, while welcoming his new job as special envoy to the Middle East.

"Tony is a man who stands up for his beliefs and has the courage of his convictions," Bush said in a statement after telephoning Blair. "Because of his steadfast resolve in the war on terror, millions of peo-

ple around the world now enjoy the great rights of freedom and democracy."

While Bush and Blair's close friendship and alliance has been warmly received in the United States, that has not been the case in Britain. His popularity plummeted in part because of his close relationship to Bush and decision to back the US-led invasion of Iraq in 2003. Blair, however, has never wavered in maintaining close ties with Bush and the sharing of their vision to pro-

mote democracy and freedom around the world. "He is not only a friend, but is also a visionary leader who has prepared his country to face challenges and opportunities over the horizon," Bush said.

"I am pleased that this capable man has agreed to continue his work for peace in the Middle East," Bush said. "I thank him for his willingness to give his time to this goal, which would be a historic step toward peace in the Middle East," Bush added.



# Praise, scepticism, anger, uncertainty and hope

Retiring politicians should never take the first job they are offered, former US ambassador to the United Nations, John Bolton, said in a BBC interview. His advice, albeit too late, was meant for Tony Blair, the former British leader who has been appointed special envoy of the so-called Middle East Quartet.

"I think we all wish him well, but nobody should underestimate the difficulties that are in front of him," said Bolton.

Blair's appointment to the Quartet, made up of representatives of the US, the UN, the EU and Russia, has drawn a mixed reaction from around the world and, especially, from the region.

European nations have signalled their displeasure at the way the role for Blair was carved out - and complain that the decision was "imposed" on them after it had been taken "secretly" in Washington.

Diplomats in Brussels said there had been dismay at EU headquarters that Javier Solana, the bloc's foreign policy chief, was informed of the decision to name Blair after the event. Commenting on Blair's qualification for the job, German Green member of the European parliament, Angelika Beer said: "Blair is part of the problem, and not the solution."

British commentators said that Blair faces an "uphill struggle"



Palestine leader Mahmoud Abbas (R) opens talks with then British prime minister Tony Blair in Ramallah

to make his new job a success, given his role in the Iraq war and, more crucially, his backing for the war against Hezbollah in Lebanon last summer.

Mustafa Barghouti, the information minister in the recently-dissolved Palestinian unity government, said he did not doubt that Blair had the "skills, the knowledge, the talent and maybe even the charm to do the job."

But, he said, the ex-leader was up against the twin challenges that Israel "does not want to negotiate for real" and that "America is practically controlling the Quartet."

"The weight he had as prime minister of Britain is def-

initely much larger than the weight he would have as an envoy of the Quartet, which is practically run by the US," said Barghouti. But Israel's deputy ambassador in London, Talya Lador-Fresher, welcomed the appointment, saying Blair was "the right man at the right time." Blair had the trust of most of the key players in the Middle East and shown himself in the past "to have all the optimism that is needed in order to move forward."

Ian Paisley, the veteran Protestant leader in Northern Ireland, which Blair says could be a template for the Middle East, praised Blair's "immense courage" and wished him "the best of luck for another colossal

task."

Rosemary Hollis, of Chatham House, the leading international think-tank in London, said she was "flabbergasted" by the appointment.

Hollis, who is writing a book about Blair and the Middle East, said: "It beggars belief on so many levels. It shows how the people behind this live in a rarefied atmosphere and have no concept of what is happening on the ground."

"It is not just the question of Iraq. There is a whole combination of factors," she said. "There might be an element of giving him the job simply because he wants it so badly but beyond that, the game plan, if there is one, might be to try to out-manoeuvre Hamas and build up President Abbas."

The history of Middle East envoys, from Henry Kissinger to Bill Clinton and, more recently, Peruvian diplomat Alvaro de Soto, is a chequered one.

But for Blair, fortunately, if the first job offer he accepted does not work out, there are still millions to be earned from his memoirs and the ever-lucrative lecture circuit.

"I think Blair would make a minimum of 75,000 pounds (USD 150,000) per lecture in America, London's top literary agent, Ed Victor said. "His memoirs would fetch five million pounds - plus or minus," he added.

## Jordan's press says peace envoy choice a "bad omen"

Jordanian newspapers greeted the appointment of the former British prime minister Tony Blair as an envoy for the Middle East quartet with skepticism, calling it a "bad omen" unlikely to bring peace or justice to the region. "The decision represents a bad omen because history will know Blair as one of the renowned liars, as his lies have led to the crime of occupying a country, shattering its state into pieces and killing more than one million Iraqis," the daily Alarab Alyawm said in an editorial. "It is a form of ethical and humanitarian injustice to describe Blair as a Middle East peace envoy. It is a lie which is as great as his lie that Saddam Hussein possessed a bottle of Anthrax capable of destroying half of the world in one hour," the paper said. Alarab Alyawm contended that British intelligence reports that the former Iraqi dictator possessed arms of mass destruction were instrumental in provoking the US-led invasion of Iraq in 2003. "By taking the initiative to appoint Blair as quartet envoy, US President George W Bush wanted to extend a service end reward to his friend in committing crimes in the region," the paper said. It cast doubt on Blair's ability to bring justice to the Palestinians. Another newspaper, the Jordan Times, said editorially, "For all his strengths, Blair's track record in this region has been appalling." "A staunch supporter of US President George W Bush's ill-planned, ill-executed and illegal war in Iraq, Britain under Blair has been similarly acquiescent in Washington's non-existent policy on the Palestinians and Israelis," it added.

"Blair, furthermore, was a staunch supporter of imposing sanctions against the democratically-elected Hamas-led government, a decision that was as instrumental as anything in laying down the groundwork for the Gaza takeover and the effective political division of the Palestinian people," Jordan Times said.

The Jordanian government expressed hope that Blair would be able to give a "push" to ongoing efforts aimed at re-launching the peace talks between the Palestinians and Israelis.

"Jordan hopes that Blair will be able to give a push to the peace efforts aimed at resuming the political negotiations with a view to implementing the vision enshrined in the quartet's roadmap, the setting up of an independent and viable Palestinian state," government spokesman Nasser Judeh said.

## Blair not to mediate in Middle East, Solana says

Middle East quartet envoy Tony Blair will not be charged with mediating in the Middle East conflict, but with channeling aid towards the construction of a Palestinian state, European Union foreign policy chief Javier Solana was quoted as saying on June 29. Former British Premier Blair, whose appointment has been met with skepticism in parts of the region, will not conduct a peace process, the Spanish daily El Pais quoted Solana as saying in Lisbon. Blair's task will be to mobilise political and economic aid, "will and solidarity" to create a government structure for a Palestinian state, Solana explained. The current situation in the Palestinian territories, with the confrontation between Fatah and Hamas, did not make Blair's task easy, Solana added. Solana has been viewed as the EU's chief negotiator for thorny tasks in the region and around the world, but there was no word from the Mideast Quartet on whether Blair's responsibilities would clash with Solana's.

Meanwhile, Blair on July 10 held talks in London with United Nations Secretary General Ban Ki-moon in what was their first meeting since the former British prime minister was appointed special envoy of the Middle East Quartet.

The meeting in a London hotel came as representatives of the Quartet - the UN, United States, European Union and Russia - met in the British capital to discuss the situation in the region. A spokesman for Blair described the meeting with Ban as "very successful." He added that Blair also met the Quartet representatives following their talks and enjoyed a "positive, practical discussion." The Quartet envoys meeting had been called to discuss "technical matters," diplomats said.



European Union Foreign Policy Chief Javier Solana arrives at 10 Downing Street, official residence of Britain's then prime minister Tony Blair for talks on July 13, 2006

## Israel welcomes appointment, but Hamas and Syria don't

Israeli Prime Minister Ehud Olmert welcomed the appointment of Tony Blair as the Middle East Quartet's special envoy to the region. Israel "wishes him success" with helping the Palestinians build the "foundations on which the Palestinian state will be built," a statement from Olmert's office said. "Israel will provide Blair with all the assistance needed so that he can fulfill his duties," the statement said, adding that Israel viewed

the building of stable and transparent institutions in the Palestinian autonomous areas as key.

The Islamic Hamas movement slammed Blair's selection though, as did Syria, which has often been at loggerheads with the United States and Israel. Fawzi Barhoum, a Hamas spokesman in Gaza, said that "Blair isn't a welcomed character because he has never been authentic to the Palestinian aspirations to end the occupa-

tion and free prisoners from Israeli jails." "Blair has always worked under the American umbrella and he was behind wars and disasters that are still going on in Iraq, Somalia, Afghanistan and Lebanon," said Barhoum. Russian Foreign Minister Sergei Lavrov, whose country is a major Quartet member, had told a joint news conference in Ramallah with President Mahmoud Abbas that the decision would be announced shortly before it was worked out. Lavrov added that "the Quartet had agreed on a mandate for a new envoy." He said, "Russia, as a member of the Quartet, is doing all it can to help the Palestinians regain unity." He added that Russia would participate in humanitarian aid to the isolated Gaza Strip and called on Israel to take "additional steps and create an atmosphere to help the peace process." Barhoum charged that Blair "has been always defending the Israeli occupation crimes committed against the Palestinians, and has always

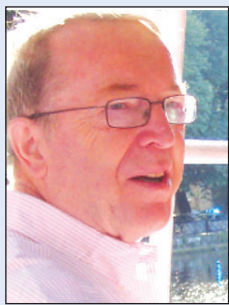
supported the Israeli state of terrorism against our people."

He said he doesn't expect that Blair in his new position as the Quartet envoy "would play a fair role to solve the Palestinian cause." A state-run Syrian newspaper lambasted Blair's new and said a man with "blood-smeared hands" could not be a peace envoy. Blair has said his task would be to prepare the ground for a future Palestinian state as an essential first step toward reaching a negotiated settlement in the region. In a front-page editorial, Tishrin newspaper said: "How could a liar, who is directly connected with Washington and who is a staunch proponent of the extremist and righteous ideology, be a peace envoy?" Tishrin claimed that US and Blair's policy was to blame for most "of the catastrophes and ordeals that have befallen on the Arabs from Iraq to Lebanon, in addition to his attempts to isolate Syria, besiege the country and impose unjust sanctions on her."

### Correction

In the interview with EPP President Wilfried Martens in the July 8-14 issue, he was partly misquoted due to a translation error. Here is the proper quote by the EPP President:

"EU Member States continue to give up part of their sovereignty in order to work together for the common European values and goals and also to compete with better terms in an increasingly globalised world. At the same time, we do not need a European super-state - we need Europe to deliver added-value to our citizens and societies."



EPP President Wilfried Martens



*An American In Europe*

## For Libya, the name of the game is blackmail

You'd have thought that Libyan strongman (the title he likes because he has none, really) Moamer Gadhafi Qaddafi Khadafy Gadhafi Gadoofy (he has about 113 spellings at last count) would have learned not to taunt the west, and the United States especially, after American jets bombed Tripoli in 1986 because he was going about the business of early-terrorism around the world and in Europe.

But even this nut case, in power for 38 years, has learned instead that when dealing with governments like the US and the European Union that it is all about money. As always.

His government was believed to have engineered the blowing up of Pan Am flight 103 over Lockerbie, Scotland in 1988, killing 259 passengers, mostly Americans, as well as 11 residents in the village. A Libyan intelligence agent was found guilty in the explosion, for which he received the cruel and unusual punishment of 27 years in prison. Libya and Khadafy tried to dance away from responsibility but the US and the United Nations felt forced to impose sanctions.

It only took 14 years for Libya to get what it wanted, besides the killings. In return for 2.7 billion dollars, sanctions were lifted, Libya was removed from the list of states sponsoring terrorism, and now is making deals with western countries again. That emboldened the Libyan lunatic to propose a United States of Africa (with him as president, of course) and a two million man army. This is the guy the US, UN and EU is dealing with. With qualifications like that, he could even be a diplomat.

Now, Khadafy has made Bulgaria and the European Union an offer it couldn't refuse: to release five Bulgarian nurses and a Palestinian doctor who have been in prison for eight years and sentenced to death on the baseless charges of conspiring to kill children in hospitals by infecting them with the AIDS virus – in return for a million dollars for each of 460 surviving infected children.

That came after French President Nicolas Sarkozy went to Libya and said France would bring modern medical equipment to the hospital in Benghazi, and the EU said it would pay part of the ongoing treatment and bring some of the infected children to Europe, an offer that should have been made eight years ago. Khadafy's son said there were "secret deals" with Europe, and the US said it would likely resume diplomatic relations with Libya once the nurses were freed.

During their kangaroo court trial, conducted after they said they were tortured into confessions while the EU and US continued to do business with Khadafy, the nurses and doctor were depicted as heinous killers as evil as Josef Mengele, the Nazi "Angel of death" doctor from World War II. So horrible was their crime that nothing could save them from the punishment Libya said they deserved – death.

Well, hold on a moment. Every medical expert consulted on the case said the children were the victims of Libya's 18th century hospitals, where doctors apparently wash their hands in the toilets before they operate, but the world was expected to believe that six people – healers – flew from Europe and Palestine into Libya and hatched up a scheme to kill children. Nothing could stand in the way of their execution.

Except money. Libya blackmailed Bulgaria and the EU, knowing the doctors and nurses were innocent, but putting them through hell to save face and extract extortion. For the past eight years, the EU was firing off letters of grave concern instead of ratcheting up the pressure. How about sanctions? It worked before. The state-controlled media in Libya said the cash-for-release deal was not "a pardon," and that the myth the helpless children were deliberately infected was not a lie, which it was.

The Bulgarians, sentenced by puppet judges under Khadafy's control, continued to be referred to as "ruthless murderers" in Libya. The arrangement is in keeping with "Diya," the Arabic custom of "blood money" being paid to the families of victims, who then agree to forego punishment for the accused.

The only problems with this settlement are that the EU and Bulgaria had to pay the ransom to release the kidnapped hostages, and the \$460 million fund is under the control of Khadafy's son and the Khadafy Foundation. The EU has sent the money, and has gotten blood. Infected by Khadafy, a real killer.

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# US warns of non-UN solution to Kosovo as talks fail

The search for a solution to Kosovo's political future could be decided outside of the United Nations if Russia vetoes a Security Council resolution it argues sets a path towards independence, the United States said July 18.

On July 20, supporters of a UN plan to grant independence to the Serb province of Kosovo ended their bid in the Security Council and transferred diplomatic efforts to a six-nation group involved in the dispute.

European Union foreign ministers will pick up the issue in Brussels and the Contact Group - composed of the US, Britain, Russia, France, Italy and Germany - will meet in Vienna July 25 for the same purpose.

The Contact Group issued a statement at UN headquarters following a closed-door session of the 15-nation council, saying it was decided to seek a non-UN solution for Kosovo. Russia has no veto power in the new forum.

"We regret that it has been impossible to secure such a resolution in the UN Security Council," said the statement, which was read by French Ambassador Jean-Marc de la Sabliere. "We will therefore put on hold discussion of the resolution." The statement reiterated support for a UN blueprint laying out a path towards Kosovan independence, worked out by former Finnish President Martti Ahtisaari. Russia and Serbia strongly opposed the plan and called for more talks because options have not been exhausted. The Contact Group agreed to a new 120-day round of negotiations as a concession to Russia, but remained adamant that the Ahtisaari plan would be activated, leading inevitably to independence for Kosovo.

"The people of Kosovo should be given the opportunity to realise their political and economic development," the statement said. "We are determined to assist them in that aim in the



Zalmay Khalilzad (L), US ambassador to the United Nations, is protected by a German military police officer as he stands in front of a blockade set up by ethnic Serbs to prevent them from leaving Orahovac, Kosovo, April 28, 2007

period ahead."

"A timely resolution of the Kosovo's status will also enable Serbia to move beyond the conflicts of the 1990s and towards a brighter European and Euro-Atlantic future," the statement said. "Therefore we believe that resolving Kosovo's status must be achieved as soon as possible. We hope that these discussions would lead to agreement between the parties. If not, we continue to believe that the Ahtisaari plan is the best way forward."

Russia's UN Ambassador Vitaly Churkin confirmed that Russia had threatened to veto the UN resolution during the council's closed-door session. "We were not going to let it pass," Churkin told reporters.

Churkin said Russia will take part in discussions in the

Contact Group and there would be no pause in the diplomatic efforts to resolve the Kosovo issue. Both the Contact Group and Russia claimed "broad support" for their positions in the council. But diplomats said the issue of territorial integrity and international law played an important role in sinking efforts by Western nations to push through the draft resolution.

Diplomats said the Western powers in the council preferred not to push Russia to cast its veto in order to maintain a working relationship with Moscow on other international issues. Churkin acknowledged that his counterparts supporting Kosovo independence had shown a "positive" attitude.

US Ambassador Zalmay Khalilzad said the Security Council talks would "bring to a

close" its role in Kosovo's future, one way or another. "The ball is in the Russian court," Khalilzad told reporters. "If Russia prevents the Security Council from playing a role, the process will not stop there. It will move to outside the council."

Khalilzad's remarks echoed comments by the European Union's chief diplomat Javier Solana, who said that the six-nation Contact Group mediating the Kosovo situation should take over if Russia used its veto in the Security Council.

Russia has all along demanded that Belgrade and Kosovo's capital Pristina first agree on the UN text before the council could take a vote to extend negotiations.

"We believe that since the two parties have not accepted the Martti Ahtisaari plan, the two parties must continue to negotiate," Churkin said. Only Pristina has accepted the plan.

Russia has also criticised the draft for recognizing demands by the Kosovo parliament, which in April backed the UN blueprint, but failing to reflect Belgrade's opposition to independence for the territory that Serbia still considers its province.

UN Secretary General Ban Ki-moon has supported the UN plan, but urged Kosovo Albanians not to unilaterally declare independence because it would bring instability to the Balkan region.

Under the disputed draft, the European Union would appoint a new administrator for the province, while NATO and the EU will carry on their responsibilities of providing security and training a police in Kosovo.

The UN has been administering Kosovo since the North Atlantic Treaty Organization in 1999 drove Serb security forces out of Kosovo after accusing them of committing atrocities against ethnic Albanians. That UN role would be disbanded.

## US moves to extradite Panama's Noriega to France

The US government has filed a request to extradite former Panamanian leader Manuel Noriega to France after he is released from prison in the United States.

The US Justice Department confirmed that Noriega is expected to be released September 9 and that a request was filed with a US court in Miami to send him to France.

Noriega, 71, has been in prison since 1992 on drug trafficking charges but has had his

sentence reduced because of good behaviour. The United States captured Noriega during the 1989 invasion of the country.

Noriega's attorney, Anthony Rubino, said he will fight extradition and argued that the former general should be returned to Panama. "We're gonna block it," Rubino told Deutsche Presse-Agentur (dpa) in an interview from Miami. A French court convicted Noriega in absentia on

money laundering charges and in 1999 he received a 10-year prison sentence. Rubino said his client is a prisoner of war and that under the Geneva Conventions the United States is required to send him to his native country.

"The United States doesn't have the right or the power or the authority to send general Noriega to France or anywhere else," Rubino said. "They must send him back to Panama."

Noriega once worked with

the CIA but fell into disfavour because of his involvement in drugs. Then-US president George Bush ordered the invasion of Panama to arrest Noriega and try him in the United States.

The Panamanian government also wants him returned. Noriega was convicted in that country of murdering two political opponents during his seven-year reign. He received two 20-year prison sentences and faces additional charges.



# Brussels, Seoul set to tango

Ambitious goals as trade talks hit snag over car exports

Automobile exports are emerging as a bone of contention as the European Union and South Korea engage in their second round of free trade talks in Brussels, local analysts said last week. "The broadest gap (in the trade talks) comes from cars," said South Korea's chief negotiator Kim Han-Soo. South Korea has offered to phase out an eight percent duty on cars from Europe over seven years. "The gap is so distinct that we must bring this car issue back home for further discussion with the concerned parties at home." However, the chief negotiator hinted South Korea may react favourably to European requests. Cars account for the lion's share of South Korea's trade surplus with the EU. The surplus reached USD 18 billion in 2006. South Korean shipments of cars to Europe jumped from 677,469 units, worth USD 6.81 billion, during 2004 to 741,740 cars, worth USD 9.16 billion, during 2006, or 3.8 percent of the European car market share, according to the Korea Automotive Research Institute (KARI) in its report.

Meanwhile, the number of European cars sold in South Korea increased from 10,182 units, worth USD 637 million, in 2002 to 23,769 cars, worth USD 1.62 billion, in 2006.

Duty-free access of South Korean cars to the European market could boost South Korean car exports by up to 124,000 units, worth USD 1.4 billion a year, the South Korea's business interest group Federation of Korean Industries (FKI) forecast. The EU puts a 10 percent duty on imported cars versus a 2.5 percent duty imposed by the US, versus an eight percent duty imposed by South Korea. KARI expects European carmakers to gain more than South Korean carmakers



South Korean models pose as Kia Motors introduces the new car "KND 4" during the Seoul Motor Show in Koyang, about 20 kilometres northwest of Seoul, April 5, 2007

from a free trade deal.

"If the EU-SK free trade becomes effective, the impact on the South Korean carmakers will be limited. South Korean carmakers like Hyundai Motor are ready to ramp up local car production to reach up to 600,000 cars a year in Europe," KARI's report said.

Meanwhile, the EU wants greater access to South Korea for its main export products like whiskey, wine, port, chicken and cheese, while South Korea wants easier access to European markets for its colour TV sets, textiles, shoes or video equipment. Before the start of the talks the EU said it was setting very ambitious goals for a free trade agreement with South Korea, the first such deal between the 27-nation bloc and one of Asia's leading economic power houses.

"We are setting the bar very high with a 100 percent trade liberalisation offer," an EU trade official told Deutsche Presse-Agentur (dpa) as European and South Korean officials opened a second round of negotiations in Brussels. A third round of negotiations is scheduled to open in September.

EU Trade Commissioner

Peter Mandelson launched the negotiations with South Korean Trade Minister Kim Hyun-chong in May. EU officials say discussions so far have been "very constructive" and that a deal could be finalized by the end of the year.

This is the first time that the EU has offered 100 percent tariff-free access to its market to any foreign trade partner. "If the South Koreans come close to the same figure or can match it, we will get a very ambitious deal," an EU official said. In return, the EU is looking for substantial new access to the growing South Korean market in key areas like automobiles, manufactured goods and business services. Brussels is also seeking the removal of restrictions on EU investments in South Korea. The bloc is currently the biggest investor in the country, with European direct investment accounting for 45 percent of all foreign investments worth USD five billion last year. The EU wants to put a new focus on South Korean non-tariff barriers and so-called "behind-the-border" issues or complicated and burdensome regulations which in some cases present greater obstacles than

tariffs. The talks with South Korea are part of a new EU strategy to clinch bilateral trade agreements with emerging economies, including India and members of the Association of Southeast Asian Nations (ASEAN).

Officials say these deals will complement the Doha multilateral World Trade Organisation talks, but many see the EU move as more proof that the WTO round is in deep trouble.

EU studies suggest that an ambitious free-trade deal with Seoul could increase EU exports to Korea and Korean exports to the EU by between 30 and 40 percent respectively.

For Europe, the agreement will mean wider access to the prosperous South Korean market with its huge appetite for quality European goods. Korea, in turn, is likely to see big gains in areas like manufacturing and access to competitive EU business services.

EU-Korea trade reached 60 billion Euro in 2006. The EU is Korea's second largest export destination after China. The US and South Korea signed a free-trade agreement in June, which is awaiting legislative approval in both countries.

## EU suspends WTO panel on Indian wines and spirits

The European Union has suspended its complaint in the World Trade Organization (WTO) against Indian customs duties on wines and spirits following Delhi's decision to repeal the high tariffs. A statement by the European Commission, the EU's executive body, said it was suspending a WTO panel set up to investigate the high and "discriminatory" Indian tariffs on imported wines and spirits. "The removal of the discriminatory duties is good news for European spirit and wine makers who have been badly disadvantaged by Indian measures for many years," the commission said in a statement. EU spokesman on trade Peter Power said EU exporters of wines and spirits deserved "a level playing field in India," a growing market for European products. The WTO panel can remain in suspension for up to one year during which period the commission will monitor the situation on the ground to make sure no new discriminatory measures are applied. An EU trade investigation in 2005 concluded that access to the potentially large Indian market for spirits and wines was severely restricted due to discriminatory high duties, contrary to international trade rules.

The EU requested WTO consultations with India to resolve the dispute last year but the talks did not result in a deal. The commission then asked for a WTO panel on the issue. Brussels was especially concerned at the high additional duties levied at the state level in India on imported spirits and wines.

These tariffs were levied on top of high federal basic customs duties (of 150 percent for spirits and 100 percent for wines), raising the cumulative federal duty burden up to 264 percent for wines and 550 percent for spirits. "These are some of the highest duties for any products anywhere in the world," the commission said. According to EU industry, the Indian market for spirits is one of the largest in the world, amounting to 87 million nine-litre cases. The corresponding figure for wine is 667,000 nine-litre cases. The Indian market "holds particular potential for the future," the commission said, adding that in 2006, EU wine exports to India were valued at 9.3 million Euro (USD 12.8 million) and EU spirits exports at 43.3 million Euro.

## Rights group blasts Indian copter sale to Myanmar

India's sale of the military Advanced Light Helicopter (ALH) to Myanmar violates the European Union's arms embargo, imposed on Yangon for its human-rights abuses, Amnesty International said in a report published July 16. Amnesty and other non-governmental organisations, including Saferworld, said they had credible information indicating that the ALH sale is a mockery of the EU arms and trade restrictions on Myanmar, because the aircraft's components are made by EU members.

"The proposed transfer to Myanmar of a military helicopter containing components and technology from as many as six European Union countries threatens to undermine an EU arms embargo on Myanmar," Amnesty said. "Myanmar has a widely documented record of serious human-rights violations, which the United Nations has described as widespread and systematic. Such abuses include summary executions, torture and the recruitment of child soldiers," they said. ALHs are built with components made in Belgium, Britain, France, Germany, Italy and Sweden, the report said. It said that the ALH is armed with rocket launchers made by Forges de Zebbrugge in Belgium; its engine, guns and rockets come from France; Germany supplies parts, and the German Eurocopter Group was involved in the development of ALH; brake systems come from Italy; and Sweden provides self-protection equipment. Britain supplies the hydraulic, flotation equipment and self-sealing fuel-tank systems. Roy Isbister of Saferworld said that the EU embargo explicitly prohibits transfers, directly or indirectly, of EU military equipment to Myanmar. "What is the point in having an arms embargo if it is not going to be implemented or enforced?" Isbister asked. Amnesty and Saferworld called on the European Union to hold talks with the Indian government on its sale of the ALH, and if the sale went through to Myanmar, to seek to withdraw all existing export license authorisations and reject all new applications. The non-governmental organisations urged the EU to discontinue all future production cooperation with New Delhi and to prohibit India from re-exporting all future transfers of controlled goods and technology. The EU began its arms embargo and trade restrictions against Myanmar, formerly Burma, in the early 1990s to protest human-rights violations. In 1991, the EU expelled Myanmar military attaches and recalled their own attaches. The embargo and restrictions were reviewed and strengthened in recent years.

## EU-India trade growing

Trade exchanges between the 27-member European Union and India registered an increase for the period January-April, 2007. EU exports to India totalled 8.9 billion Euro for the four month period against 7.6 billion Euro for the same period in 2006, according to figures released by the EU's statistics bureau, EURO-STAT, on July 18.

EU imports from India also totalled 8.9 billion Euro up by 14 percent from 7.8 billion Euro for the same period. EU's trade deficit with India decreased slightly from -0.3 billion in Jan-April 2006 to -0.1 billion in Jan-April 2007. EU's trade with most of its major

partners grew. The biggest increases were for exports to Russia (+29 percent in January-April 2007 compared with January-April 2006), India (+18 percent), South Korea (+13 percent), China (+12 percent), Norway and Brazil (both +11 percent), and for imports from China (+23 percent), Brazil (+17 percent) Turkey and India (both +14 percent).

The EU's trade surplus decreased with the USA (+24.9 billion Euro in January-April 2007 compared with +28.0 billion in January-April 2006).

The EU's trade deficit grew with China (-49.9 billion

compared with -38.8 billion) and Japan (-11.5 billion compared with -10.9 billion), but decreased with Russia (-19.3 billion compared with -27.2 billion), Norway (-11.1 billion compared with -15.1 billion) and South Korea (-4.6 billion compared with -5.3 billion) for the same four month period.

India and the EU will hold the annual summit meeting in New Delhi on November 30 with plans to ratchet up talks to wrap up a trade and investment pact before the end of 2008. An EU-India business summit will be held a day before the summit, Portuguese ambassador Luis Filipe Castro Mendes, whose country took over the

rotating presidency of the EU early this month, told reporters in New Delhi, Hindustan Times reported.

Portuguese Prime Minister Jose Socrates, who is also president of the European Council, will be representing EU at the summit. This will also be the first visit of a Portuguese prime minister to India in last three decades.

The summit will deal with key global issues like climate change and focus on expanding bilateral cooperation between India and the EU, New Delhi's largest trading partner, in the fields of science and technology, energy efficiency and renewable energy.



## European patent information service in Russia

The European Patent Office and Rospatent (Russian Patent Office) marked the first step in a joint campaign to promote the use of patent information to stimulate competition, innovation and economic growth across Russia. Esp@cenet, the EPO's online database which provides free access to millions of patent documents from around the world was also introduced to Rospatent as an important tool for patent innovation. "Russia is a great source of science and technology information" Nina Formby, project leader at the EPO for the CIS and Mongolia, was quoted as saying in a press release. Rospatent's involvement in esp@cenet will ensure that Russian patents are easily accessible to foreign researchers and vice versa. Companies can use patent information to find commercial opportunities, design their R&D programme, look for new markets and find new partners or licensees, the press statement read. It noted that researchers can quickly find information on the state-of-the-art in their field, identify new research challenges and find other researchers and industrial partners. Furthermore, while analysing patent information may reveal that an idea has already been patented, further digging may reveal gaps that remain unexploited. Large numbers of researchers still fail to make use of this valuable source of information. "Our researchers don't use patent information tools enough, and very often they are doing work without being aware of what is happening in the world," said Rospatent Director General Boris Simonov. "This lowers competitiveness." Also at the event, the Russian language version of the esp@cenet portal was launched. The Russian version of the training module is expected to go live later this year. The EPO and Rospatent first started working together more than a decade ago. Over the years the relationship has deepened and earlier this year the two organisations signed a Memorandum of Understanding which set out the scope of possible future common activities. This conference was the first major event to take place since the MoU was signed.

## De Beers to buy Alrosa diamonds, study EU ruling

The De Beers corporation will continue purchasing diamonds from Russia's uncut diamond monopoly Alrosa under their previously signed contract until it finishes studying an EU court ruling. De Beers needs to study the European court's ruling in detail in order to assess its possible influence on its business, a spokeswoman for the corporation's Moscow office told Interfax. Two weeks ago, a European court ruled in favour of Alrosa's appeal protesting the European Commission's decision that orders the Russian company to stop selling precious stones to De Beers starting from 2009. De Beers will continue purchasing products from Alrosa in compliance with their previously signed contracts and obligations to the European Commission until the corporation finishes studying the court ruling," the spokeswoman said. In 2006, the European Commission demanded that Alrosa stop all sales of diamonds to De Beers from 2009. The commission hopes that Alrosa will sell USD 500 million worth of diamonds to De Beers, and USD 400 million in 2008. The first contract for the sale of Soviet diamonds to De Beers was signed in 1959. Regular sales of diamonds based on systematically renewed contracts started in 1960. Alrosa is expected to earn USD 2.9 billion from its diamond sales this year. De Beers is the world's largest diamond producer, while Alrosa is the second biggest diamond producer and controls a quarter of this market. Market analysts do not expect the European court's ruling in favour of Alrosa's appeal to have a considerable impact on both companies' business.

## Russia's pullout from CFE to benefit Europe

By suspending the application of the Conventional Forces in Europe Treaty (CFE), Russia "is defending not only the interests of its own security but also the security interests of Europe as a whole," head of the Federation Council International Affairs Committee Mikhail Margelov told Interfax. "Today, when Russia alone complies with all the points of the treaty while a new wave of arms race is beginning on the territory of the European Union, it is Russia that finds itself in a patently disadvantageous situation," he said. "In the immediate vicinity of our borders, countries that have signed but not ratified the treaty are increasing troop numbers and building new military and missile bases, whereas there is nothing we can do in response because we are complying with the treaty, practically single-handedly as well," he said.

# Moscow, London lock horns over diplomats expulsion

Russian President Vladimir Putin on July 19 warned against overestimating the current diplomatic spat between London and Moscow. "I am convinced that we will sort out this mini-crisis," Interfax quoted Putin as saying.

"I think that Russian-British relations will return to normal," Putin said after the Russian Foreign Ministry move to ban visas for British diplomats.

Both sides should weigh up their dealings with "sound common sense" and take their respective laws and interests into consideration, Putin said. "Then everything will turn out for the best," Putin said.

Tensions between Britain and Russia took a further turn for the worse on July 19 when Moscow announced a tit-for-tat expulsion of four British diplomats, a move immediately denounced as "unjustified" by London. The Cold War-style tensions were triggered by Moscow's refusal to extradite Andrei Lugovoi to London as a suspect in the radioactive poisoning murder of ex-KGB agent Alexander Litvinenko last November.

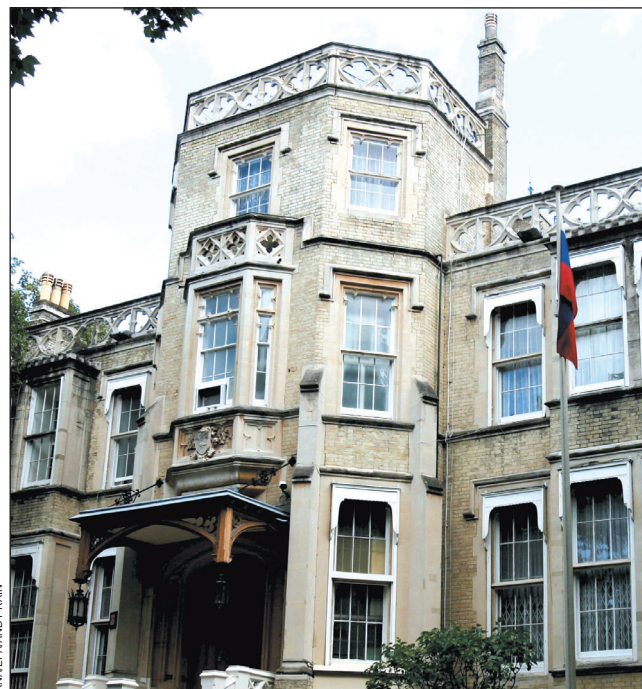
Adding to the tensions was an air space incident which the British Defence Ministry confirmed, with two Royal Air Force jets having been scrambled earlier in the week when two Russian planes had approached British air space.

On July 19, after London had already moved to expel four Russian diplomats, Moscow said it would deny entry visas to British officials and expel four British diplomats from the country. Foreign Ministry spokesman Mikhail Kamynin said the move came in response to the expulsion on July 16 of four Russian envoys from Britain.

An official note was given to the British ambassador in Moscow in which the four British diplomats are termed as undesirable persons, Interfax reported. The four must now leave the country within 10 days.

Russia also on July 19 rejected European Union assertions that Moscow had not cooperated with British authorities in the Litvinenko case.

Russia's EU envoy Vladimir Chizhov told Interfax that while British investigators



*The Russian Embassy in London. Tensions between Britain and Russia took a further turn for the worse on July 19 when Moscow announced a tit-for-tat expulsion of four British diplomats, a move immediately denounced as "unjustified" by London*

were quickly given permission to travel to Russia as part of their probe, Russian authorities were prevented from entering Britain for some time.

Chizhov criticised a statement from the Portuguese presidency of the EU on July 18, in which Lisbon had expressed disappointment over the lack of cooperation, calling it an "uncomfortable surprise."

He also said the "European solidarity" against Russia on the matter could damage relations between Moscow and the 27-member bloc.

The senior diplomat said the Lisbon statement was "noteworthy," as London's position on the Lugovoi issue did not stand up to criticism, either from a constitutional or human-rights standpoint.

Kremlin spokesman Dmitri Peskov in further comments on the Lugovoi case meanwhile said that the principle of innocence until guilt is proven should be observed until Russia had a chance to complete its own investigations.

In London, Foreign Secretary David Miliband blasted as "completely unjustified" Moscow's move to expel four British diplomats. "We obviously believe that the decision to expel four embassy staff is completely unjustified and we will

be doing everything to ensure that they are their families are properly looked after," he said in a statement. Miliband said the same number of Russian staff would be sent home from London as those British diplomats ordered out of Moscow.

The new British Foreign Secretary also welcomed the support shown by other nations in London's quest to gain the extradition of Lugovoi, against whom there was a "significant body of evidence."

The remark came amid reports that US Secretary of State Condoleezza Rice had called on Moscow to extradite Lugovoi. "We are much heartened that over the last 36 hours, across the international community - European countries, the EU as a whole and the United States - should have put out such positive statements about the need to defend the integrity of the British judicial system," Miliband said.

Amid the diplomatic tensions reminiscent of the Cold War days between the West and the erstwhile Soviet Union, Britain's Defence Ministry confirmed an airspace incident which took place on July 17. It said Royal Air Force jets were scrambled in the incident.

"Two unidentified aircraft came towards British airspace.

They turned round before there was an interception and before they entered British airspace," a ministry spokesman said, while adding "there was nothing to suggest this was linked to any other issues."

Meanwhile, analysts said London cannot urge the EU to join pressure on Russia. The head of the British studies department at the Russian Academy of Sciences' Institute of European Studies Alexei Gromyko said London will not be successful in applying pressure on Russia at the European Union level because of Moscow's position on the Lugovoi case. "European capitals might declaratively support London, but surely no measures will be taken to put more pressure on Russia," Gromyko told Interfax on July 18.

The UK might urge the European Union to toughen its position on Russia's accession to the World Trade Organisation, Gromyko said. "But I think the matter will not go that far, because joining the WTO is a purely economic issue, and if the United Kingdom even tries to mix politics and economy, this will not happen at the EU level," he said. The recent tensions between Russia and the UK will not affect the dynamics of economic ties between the two countries, Gromyko said. "Political trends are the last thing businessmen from Russia and the UK are guided by," he said. The crisis in relations between the two countries is "temporary," Gromyko said.

"Politics cannot develop absolutely independently from relations in the socioeconomic sector, and therefore this new crisis will pass sooner or later," he said. The crisis is unlikely to be escalated further, Gromyko said. "We have already received all possible surprises (from the UK), both those we expected and those we did not expect. Therefore, we are unlikely to receive new surprises," he said.

Gromyko said he disagreed with a number of prominent political analysts, who suggested that the UK's position was prompted by Russia's increasingly active foreign policy. "London's steps have no relation to Russia becoming stronger and trying to regain its past might.

## Strasbourg rules Russia must pay Trepashkin

The European Court of Human Rights has partially granted a complaint filed by retired Federal Security Service Colonel Mikhail Trepashkin and obliged Russia

to pay him 3,000 Euro in compensation. The court said on its official website that the ban on torture, guaranteed by Article 3 of the European Convention, had been violated in relation to

Trepashkin.

Trepashkin filed a complaint with the European Court in the framework of the case started against him on charges of illegal possession of

weapons, of which he was finally cleared. He claimed that Article 3 banning torture and Article 5 dealing with illegal detention were violated in relation to him.





## Experience Opera at the Heart of the Performance

**FRANCE - SAINT JEAN CAP FERRAT, Villa Ephrussi de Rothschild, August 16 to 28, 2007**

Les Azuriales Opera Presents its 11th season of chamber opera at the Villa Ephrussi de Rothschild, Saint Jean Cap Ferrat. Following the success of its 10th anniversary last year, the festival launches its second decade with classic favorites and new ventures. Expanding the young singer's programme with London showcase concert and commissioning a new work are the first steps in a "new generation" initiative with plans to develop and encourage young talent over the next few

years. Drawn into the heart of the performance, you have an intensely personal experience of the action and the operatic voice. All operas are performed in the original language with English and French subtitles, and are accompanied on the piano by Bryan Evans MBE, recently described as "a music director and accompanist of genius." The singers are principal soloists who appear regularly in major UK and European opera hours and festivals. The magic continues, if you wish, after most performances when the artists join you for dinner under the stars in the magnificent gardens.

## TJIBBE HOOGHIEMSTRA

**BELGIUM - OOSTENDE, BENOOT GALLERY, August 11 to September 10, 2007**

Tjibbe Hooghiemstra (° 1957) lives and works in his native country Friesland, but also regularly stays in Ireland. This is certainly not unimportant: as an artist, Hooghiemstra is fascinated by the landscape, the human being, the animals, the signs in nature. In his semi-abstract drawings and paintings he associates what he sees and hears with what he feels to come to a fundamental image: not drawn quickly or carelessly, but composed in several layers, some of which are brought to the foreground and others pushed to the back. The material is of the essence: the paper, on which he draws, becomes part of the work, just like the not prepared side of the painter's canvas, which he distempers, and on which he applies charcoal and oil paints. The work has a restrained yet expressive power, in a style that just isn't lyrical abstract. The colour palette strongly defines the atmosphere of the work.

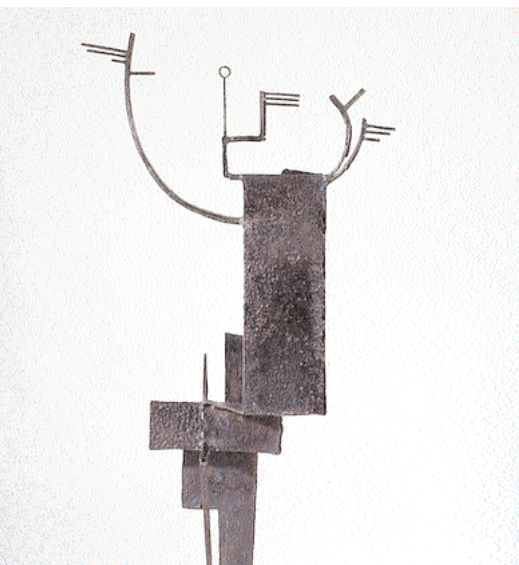


*Tjibbe hooghiemstra (nl)gemengde techniek op doek 2006*

## Julio Gonzalez

**FRANCE - PARIS, Centre Pompidou - Musée National d'Art Moderne, October 6, 2007**

Thanks to its exceptionally rich collection of paintings, sculptures, cartoons and jewellery by González, the Centre Pompidou will be paying a tribute to the Catalan sculptor by presenting almost 200 of his works, either purchases by the Musée national d'art moderne or gifts and bequests from the artist's daughter, Roberto Gonzalez. This retrospective will be looking to retrace the major stages in his artistic career, from his initial training as a wrought iron craftsman and creator of jewellery to his first figurative works, from the creation of huge linear wrought iron sculptures from the 1930s to his last metamorphic sculptures.



*Julio Gonzalez : Daphni*

*If you are interested in publication, send us English language press releases by e-mail: Anastasia Bouyiatotes - abc@neurope.eu*



*Claudet Monet The water lily pond, around 1919 Oil on canvas Albertina, Vienna - permanent loan by R. and H. Batliner Art Foundation*

## Monet to Picasso, The Batliner Collection

**AUSTRIA - VIENNA -ALBERTINA, Propter Homines Hall and Kahn Galleries, September 13, 2007 to April 6, 2008**

At the beginning of May 2007, the art collection of Rita and Herbert Batliner totalling 500 works was transferred to the Albertina as a permanent loan. The Batliner Collection includes major works by Monet, Renoir, Cézanne, Chagall, Picasso, Modigliani, Matisse, Kandinsky, Sam Francis, Mark Rothko, Roy Lichtenstein and Francis Bacon and is one of the leading European private collections. Starting point of this major presentation is French Impressionist painting, with paintings, pastels and gouaches by Monet, Renoir und Degas. These are followed by work groups by Cézanne and Toulouse-Lautrec, also Bonnard, Veillard und Signac. High points of the show are without doubt the portrait of a girl in pastel by

Auguste Renoir, the late "Water Lily" picture by Monet, the "Young Woman in a Blouse" by Modigliani, and the work group by Pablo Picasso. Another key section focuses on German Expressionism, with the two artists' groups "Die Brücke" and "Der Blaue Reiter". Alongside these are outstanding examples of Surrealist art, with works by Joan Miro, Max Ernst und René Magritte.

This exhibition of the Batliner Collection is being joined by a selection of 20 major pictures from the Forberg Collection, which was likewise recently transferred to the Albertina. The foremost works here are by Paul Klee and his contemporaries Kandinsky, Lyonel Feininger, August Macke and Franz Marc. The exhibition finally culminates in the late work of Pablo Picasso, as well as sculptures, drawings and paintings by Alberto Giacometti.



**SLOVENIA - VRTOVIN, JULY 26 to 29, 2007**

The European Union should reside in the hands of the people it is meant to represent. The EU is presently following is eroding the foundations of democracy. This path is also fraught with problems of legitimacy, accountability and lack of transparency. If given the opportunity to voice them, you will find that most European citizens have strong opinions on Europe. If given the opportunity to act, European citizens would participate in shaping the growth and direction that the EU is taking. We believe that Europe's future should be created through a bottom-up process

whereby Eurocrats and governments listen and respect the opinions of the people. We want to provide an opportunity for people to come together and communicate their ideas and opinions on the future of Europe. We want to bring together organisations and individuals from across the political spectrum to exchange, debate and establish new ideas and projects on the future of cooperation in Europe. The summer camp shall provide a platform for exchange, within a neutral and relaxed environment whilst also allowing people to visit and enjoy some cultural aspects of one of the new EU member states.

## Arte Santander 2007

**SPAIN - SANTANDER, Arte Santander, until July 22, 2007**

The contemporary art market is growing and Cantabria (Spain) has gained a reputation as the centre of important art collections and initiatives. Its regional capital, Santander, is especially dynamic as a contemporary art metropolis. Our position in this sector is one that includes all the elements of a working system, with acclaimed artists, prestigious institutions, and a dense network of prestigious private galleries. Against this backdrop, Artesantander, which will be



held for the seventh year running in 2007, is a required stop for the art market. Artesantander has been held in July since it was first established; this is midsummer in the north,

which affords Artesantander a unique place in the international art-fair calendar, which is ideal for gallery owners and collectors alike, and sets the unique tone of our event.



## ENI's proposed Exxon acquisitions under review

A European Commission spokesperson recently announced that the Commission will conduct a "full first-phase inquiry" into ENI's proposed acquisition of US rival Exxon Mobil Corp's Central European petrol station network in the Czech Republic, Slovakia and Hungary, rather than examine it through the EU's "simplified" merger review, Interfax reported. "This is a merger case that we were initially to review through the 'simplified' procedure," Linda Cain, a press officer for EU Commissioner for Competition Policy Neelie Kroes, confirmed to Interfax. "The deadline for the inquiry remains July 24, at which point the Commission could approve it or it could enter 'Phase 2,' meaning more time is needed to take a decision," she said. Eni hopes to acquire 102 petrol stations in the three Central European countries - Exxon Mobil's Esso chain of 43 stations in the Czech Republic, 40 in Hungary and 19 in Slovakia - as well as commercial activities in the airports of Prague and Bratislava, it was reported. In June, ENI applied for its proposed acquisition to be examined under the EU's "simplified" merger review. On June 26, the Commission said "on preliminary examination" it found that "the notified transaction could fall within the scope of Regulation (Commission) No 139/2004," referring to relevant anti-trust legislation. "However, the final decision on this point is reserved."

## Govt to increase penalties for drunk drivers

The Italian government is looking to beef up penalties for drunk drivers as July has reported a string of deadly road accidents. "Road safety has become an emergency. We will stiffen penalties for the worst violations," Italian Transport Minister Alessandro Bianchi was quoted as saying last week, Deutsche Presse-Agentur (dpa) reported. Suggested government proposals include longer prison sentences for those caught driving over the limit and compulsory labels on the bottles of alcoholic beverages warning consumers not to drive when drunk. Italy has one of the poorest road safety records and one of the highest levels of road-related deaths in Europe: 97 for every million inhabitants per year, compared with 71 in Germany and 56 in Britain. Experts say nearly half of all road accidents take place at the weekend and about 30 to 40 percent of them involve people driving under the influence of alcohol or drugs. "Alcohol abuse has been a serious problem for years. The number of youths who habitually drink away from their meals, for instance, has doubled since 1994," Italian Health Minister Livia Turco told daily La Repubblica. The police says the number of breathalyzer tests have doubled since last year, but remain far scarcer than in countries like Britain or Denmark.

## China competes with Italy over tomato manufacturing

China "is poised to overtake Italy as the world's No. 2 tomato-products manufacturer" after the United States, an agriculture specialist said on July 17, Market day reported. "Although quality issues remain, China has markedly improved its production processes and now exports widely into the strict (EU) market," said Agra Informa Ltd., a subsidiary of Britain's Informa PLC. "It is growing its market base as labor and other costs skyrocket among traditional tomato producers," Agra Informa said in a statement. And California, "bedrock of the US industry, has been hit by a tomato blight that threatens the crop," said Agra Informa, which specialises in agriculture and food policy, markets and trade. "Against this backdrop, China has significantly increased its output of tomato products, particularly tomato paste and is investing heavily in new processing lines that will increase its output even further," the group was quoted as saying. Beijing had no immediate comment.



A representative of Coldiretti, the Italian farm produce organization, bites into an Italian tomato

After the last remaining bidders pulled out of the race to take over Alitalia, the Italian Treasury declared the auction closed, Deutsche Presse-Agentur (dpa) reported. In a statement, the treasury said it planned to inform the markets about what to do next with Alitalia "as soon as a decision is taken."

On July 18, a consortium lead by US investors Texas Pacific Group (TPG) and Matlin Patterson had officially confirmed its previous intention not to take part in the sale. The US statement came five days before the auction's twice-extended deadline and just hours after private Italian airline Air One, the other remaining bidder, said it was withdrawing its offer due to overly-stringent conditions attached to the sale, dpa said. These developments sent shares in Alitalia plummeting on the Milan stock exchange and opened up a series of new scenarios, including the possibility that the beleaguered carrier might soon be declared bankrupt.

Italian Prime Minister Romano Prodi and his transport minister, Alessandro Bianchi, said they had "a range of solutions" from which to choose from. The auction for the treasury's 49.9-percent-stake in Alitalia had already appeared doomed after the original July 2 deadline was extended twice and Russia's Aeroflot had pulled out of the bid.

Experts say the latest developments could convince other potential buyers such as Air France-KLM, which already owns a two-percent-stake in



Alitalia aircraft on the tarmac at Leonardo da Vinci airport in Fiumicino, Rome

Alitalia, and Lufthansa of Germany to start direct negotiations with the treasury.

The government had asked interested parties to submit a detailed industrial plan and to preserve the company's national identity, logo and brand; but it was its reluctance to allow bidders to negotiate cost-cutting measures with trade unions and suppliers that was being seen as the sale's biggest stumbling block.

"Present conditions ... do not allow the development of a strong entrepreneurial project to revive and relaunch Alitalia," Air One said in a statement issued on July 17. Air One, however, added that it was still

interested in Alitalia, "as long as the conditions of the sale are different."

Aeroflot cited difficulties in accessing Alitalia's complete commercial and operational records, as well as conditions in the tender that it said would limit its ability to pull the carrier out of its prolonged crisis, among its reasons for pulling out last month, dpa reported. Alitalia, whose inaugural flight linking Turin, Rome and Catania took place on May 5, 1947, declared debts totaling more than one billion Euro in March.

In June, it reported narrowing first quarter net losses of 135 million Euro, but is still estimated to be losing about 2

million Euro per day. The EU has said it will not bail the company out and experts estimate that Alitalia has enough cash to survive until the end of the year. After that, it will have to go into liquidation.

The company's board has cited high fuel costs, competition from low-cost carriers and labour stoppages among the reasons for its difficulties. Moreover, on July 18, a strike over contractual disputes called by trade unionists representing air traffic controllers and airport staff grounded at least 80 Alitalia flights. The stoppage was the latest in a long series affecting Alitalia and the Italian air travel sector as a whole.

## Disputed pension reform approved by Prodi government

On July 20, Italian Prime Minister Romano Prodi's government approved plans to increase the retirement age for most workers in a bid to deflate Italy's ballooning pension bill after overcoming strong resistance from trade union leaders, Deutsche Presse-Agentur (dpa) reported.

However, the reform was expected to face a rough ride in parliament after the summer break due to opposition from the far-left wing of his nine-party coalition.

"The Council of Ministers reached a general consensus after a broad discussion," government undersecretary Enrico Letta was quoted as telling reporters after a cabinet meeting in Rome.

The meeting came just hours after trade union leaders

had agreed to the plan following intense all-night discussions with Prodi, dpa reported. "This proposal satisfied all of us and will please all Italians," Prodi said. However, speaking within minutes of the cabinet meeting ending, Refounded Communist Party (PRC) leader Franco Giordano said his judgment of the deal was "strongly critical, negative." "We need to consult the workers. The issue is still open," Giordano added. The PRC brought down Prodi's first short-lived government over a similar issue back in 1998, and its support is vital in parliament's upper house, where the government enjoys only a wafer-thin majority as a result of last year's narrow general election victory.

The agreement reached on July 20 aims to soften the

effects of a reform approved by the previous centre-right government of Silvio Berlusconi that envisages a sharp and sudden rise in the minimum retirement age - from 57 to 60 years - as of January 1, 2008. The new system introduces more gradual steps, raising the retirement age to 58 in 2008, 59 years in 2009, and 61 years by 2013. Women will be allowed to retire a year earlier.

Slightly different rules apply to the self-employed and those doing toiling jobs such as miners. Italian Economy Minister Tommaso Padoa-Schioppa was cited as saying the changes would produce lower savings estimated at about one billion Euro per year for the next 10 years, but noted that the added costs would be covered by social

security institutions.

Italy is under pressure from the European Union to reduce its enormous public debt, one of the highest in the world. Its pension bill increased by three percent to a whopping 215 billion Euro in 2005, or more than 15 percent of the country's gross domestic product (GDP), according to latest data available provided by national statistics institute Istat.

Italy also suffers from an ageing population and experts say the ratio between pensioners and workers is set to hit 53 percent by 2020 and 83 percent by 2040 unless people are forced to retire later, dpa said. The latest pension reform was expected to be included in the 2008 budget, which must be cleared by parliament by the end of this year.



# Sarkozy, Brown join forces on European, world issues

British Prime Minister Gordon Brown and French President Nicolas Sarkozy agreed on July 20 they would jointly push a proposal in Brussels to lower the Value Added Tax (VAT) on environment-friendly products in Europe, Deutsche Presse-Agentur (dpa) reported. "This is a very important message," Brown was quoted by dpa as telling journalists after his talks with Sarkozy in Paris, adding: "Together we will propose to the European Commission to give incentives to people who want to buy environmentally friendly products." Brown said the British and French finance ministers would put the proposal on the table at the next EU-wide meeting of finance ministers. Moreover, the two agreed close collaboration on two other issues: Darfur and terrorism. Sarkozy said the



French President Nicolas Sarkozy and British Prime Minister Gordon Brown (L) hold a joint press conference at Elysee Palace in Paris, France, July 20, 2007

British and French foreign ministers, Bernard Kouchner and David Miliband, would travel together to New York to ensure the passage of a UN resolution on the deployment of a peace-

keeping force in the strife-torn area. "The situation there can't continue. It is an emergency. People are dying," Sarkozy was quoted by dpa as saying, adding that he and Brown would travel

to the area, visiting Darfur, neighbouring Chad and Sudan, to assist the peace process. Brown said the two countries were also prepared to "contribute substantial sums" in aid to help the economy of the region once a peace-keeping force has been deployed. "This is one of the great humanitarian disasters of our generation," Brown was quoted as saying, adding: "Two million people have been displaced, four million people are threatened by famine, 200,000 have died." Sarkozy noted that the president of Chad, Idriss Deby, had told him during talks that "we must increase the pressure" on those involved in prolonging the crisis. In the realm of terrorism, the two leaders agreed to set up a working group that would meet regularly to exchange information, Brown said.

## Chirac undergoes 4 hours of questioning

On July 19, Former French president Jacques Chirac underwent four hours of questioning by a magistrate looking into the alleged embezzlement of public funds by his former party, the Rally for the Republic (RPR), French media reported, cited by Deutsche Presse-Agentur (dpa). Chirac's status at the hearing, which was held in his Paris office, was that of "assisted witness;" that is, he testified in the presence of an attorney. This means he may be implicated in the case and could eventually be charged with a crime by the judge leading the inquiry, Alain Philibeaux, dpa reported.

Chirac's attorney, Jean Veil, said that the interrogation had been carried out "with serenity, with courtesy." "I think that the explanations which the former president gave to the judge were quite complete, transparent ... and should satisfy the judge in charge of the case," Veil was quoted as saying.

The affair dates back to when Chirac was mayor of Paris, between 1977 and 1995, and involves a scheme in which the



Former French president Jacques Chirac leaves his office by car after being questioned by Judge Alain Philibeaux at the former president quarters in 119 rue de Lille, Paris, France, July 19, 2007

names of members of the RPR appeared on the payrolls of municipal services and

companies, although they were not actually employed at the specified posts. Instead, the salaries allegedly went into the party's coffers. One of Chirac's longtime political allies, former prime minister Alain Juppe, who was his number two at Paris City Hall, was in 2004 handed a 14-month suspended prison sentence for his role in the affair.

The magistrate who began the investigation into the case, Patrick Desmure, said in 1999 that he had evidence that appeared to link Chirac with the scandal, such as a letter signed by him recommending an RPR member for one of the phony jobs.

During Chirac's 12 years as French president he was repeatedly dogged by judicial investigations involving the illegal funding of his party through various forms of kickbacks. He has denied any wrongdoing, and was protected from prosecution and from giving testimony by his presidential immunity. That immunity, which is guaranteed in the French Constitution, was lifted on June 16, one month after he was replaced by Sarkozy, dpa reported.

## Syrian officials briefed on Lebanon meeting in France

A French Foreign Ministry envoy recently briefed Syrian officials on the outcome of a recent meeting in France between Lebanon's fighting parties that was aimed at easing the political crisis in the country, Deutsche Presse-Agentur (dpa) reported. Envoy Jean-Claude Cousserain held separate meetings with Syrian Vice President Farouk al-Sharaa and Foreign Minister Walid al-Moallem on the Lebanese issue and relations between Syria and France.

In a brief statement to journalists afterwards, Cousserain said al-Moallem had agreed on the French initiative and said it

"has helped launch dialogue among the Lebanese." The previous informal talks at a chateau in La Celle Saint Cloud were organised by France with the approval of the US and Iran. The gathering set out to help break the deadlock between Lebanon's Western-backed prime minister and the country's Hezbollah-led opposition.

Syria's official news agency SANA said on July 18 that al-Moallem had stressed Syria's keenness and support for the initiative and indicated that Syria was ready to exert "all possible efforts to help the Lebanese reach an agreement

to solve their differences."

Cousserain is the highest-ranking French official to visit Syria in almost two years. French-Syrian relations have been cool since the assassination of former Lebanese prime minister Rafik Hariri in February 2005.

His death brought about a deep rift in Lebanese society, with some Lebanese blaming Syria for Hariri's death in a car bomb blast that also killed 17 other people, a charge which Syria has repeatedly denied. France and the US sponsored a UN resolution which called on Syria to withdraw its forces and stop influencing politics in

Lebanon. The United States has been sceptical about holding talks with the Syrians until they stop meddling in Lebanon and halt militants from moving into Iraq, dpa reported.

"There have been past attempts, various attempts over even the past year, year and a half where various states have sent envoys to the Syrians to encourage them to change their behaviour, and thus far really have not yielded any tangible results," US State Department spokesman Sean McCormack was quoted by dpa as saying, adding: "I think the French government's certainly aware of that."

## Faurecia's H1 figures in the red

Faurecia, the auto parts unit of Peugeot, on July 18 revealed its first half figures in red, though the loss margin narrowed year-on-year, TTC reported. The company reported first half loss to 47.4 million Euro, compared with 48.2 million Euro in the corresponding period of 2006. The company said in a statement its sales had increased by 8.9 percent over the period to 6.511 billion Euro. Faurecia predicted that "2007 should be marked by the continued growth of the group," although it said growth should be less pronounced in the second half of the year due to a need to bring debt under control.

## PPR now owns 62% of Puma

After an extended share offer expired, French luxury goods group PPR now has 62.1 percent in Germany's Puma, Deutsche Presse-Agentur (dpa) reported. PPR, owner of the Gucci and Yves Saint Laurent fashion brands, bought a 27.1-percent-stake in Puma in April and increased it to 33.2 percent during an initial share offer that ran out in June. "We are pleased that the Puma shareholders have with their vote supported the junction of Puma with the PPR group and set the basis for a successful cooperation," Puma chief executive Jochen Zeitz was quoted by dpa as saying, adding that Puma would take advantage of the new set-up to invest into brand-building, enabling the company with the leaping cat logo to strengthen its position in the sport-lifestyle market. A statement released by the German company welcomed the fact that "a significant number of Puma shareholders followed the recommendation of the board of management to accept the offer price per share of 330 Euro and to sell their Puma shares." Many shareholders complained at the time that the offer was too low and held out in the hope that PPR would make an improved offer, which did not happen, dpa reported. But Puma, based in the southern town of Herzogenaurach, said 330 Euro was well over the weighted average for Puma stock in the three months before the bid. Investment banks also advised that it was an adequate price. The deal, worth an estimated USD 7.1 billion, confirms Puma's position as the world's third-biggest sporting goods manufacturer after market leader Nike and German rival Adidas.

## EADS goes with single French CEO

On July 16, owner of the Airbus aircraft manufacturer, EADS announced that it is switching to a single CEO structure with Frenchman Louis Gallois to head the company, Deutsche Presse-Agentur (dpa) reported. The change at the top of US plane maker Boeing's biggest rival will also see German Thomas Enders take over as sole boss of Airbus, with his deputy Frenchman Fabrice Bregier, who is at the centre of the Power8 restructuring at Airbus, dpa said. Until now, EADS had been jointly headed by Gallois and Enders in a dual CEO structure - a serious bone of contention among EADS shareholders. Criticism that the dual management structure was too cumbersome to be efficient grew louder after production problems with the Airbus A380 aircraft led to delivery delays of up to two years for the superjumbo jetliner, and multi-billion dollar losses for EADS. The change, in effect meaning Germany giving up its share of the top job at EADS in exchange for the top job at Airbus, came just ahead of a meeting between French President Nicolas Sarkozy and German Chancellor Angela Merkel at Airbus in Toulouse. Germany was known to have insisted that France did not occupy all the main decision-making posts, in the face of what observers said were clear indications the French wanted to control Airbus alone. Observers also noted that Berlin is keen to stop the French state having increased influence in the finely-tuned EADS power structure, in which it currently has a direct investment of 15 percent, with the French media group Lagardere holding an additional 7.5 percent. The German DaimlerChrysler company holds 15 percent, while a further 7.5 percent is held by a predominantly German consortium of federal state governments and banks - but with no voting rights.



## Anti-car activists vandalise cars by letting out air

Activists of an anti-car group have been releasing air from tyres of luxury cars and SUVs in Berlin, the daily Tagesspiegel reported on July 20, cited by Deutsche Presse-Agentur (dpa). The activists leave behind flyers accusing the owners of polluting the environment. The owners are urged to use their enforced walk to reflect on the virtues of owning a smaller vehicle. The anti-car campaign is thought by Berlin police to be unrelated to the firebombing by leftist activists of 83 vehicles so far this year, mainly in the less well-off areas of Mitte and Friedrichshain-Kreuzberg, it was reported.

## Supermarket leaves Spain for Eastern Europe expansion

Tengelmann, a German supermarket group, recently announced it is shutting down in Spain and moving onto Eastern Europe, Deutsche Presse-Agentur (dpa) reported. Under a sale settled on July 13, it would sell its 247 Spanish outlets operating under the Plus brand and 58 construction projects to Carrefour of France. Supermarket operator Carrefour was cited as saying it would pay about 200 million Euro for the unit. Karl-Erivan W Haub, chief executive for Europe at Tengelmann, said Eastern Europe was the growth market. Plus was about to launch in Bulgaria and already had shops in Poland, Romania, the Czech Republic and Hungary. The group, which also operates in Germany, Austria, Portugal and Greece, admitted that it had failed to establish a strategic position in Spain since opening there in 1993.

## German hostage murdered by Taliban

On July 21, the Taliban said it has killed one of the two German hostages kidnapped in the central province of Maidan Wardak, Deutsche Presse-Agentur (dpa) reported. According to the group, one of the hostages was shot dead after German Chancellor Angela Merkel stated that the country's troops would not pull out of the country nor negotiate the release of the hostages. "One of the hostages was killed at 12:05 (0735 GMT)," Taliban spokesman Qari Mohammad Yousef Ahmadi told dpa, by phone from an undisclosed location, adding: "our forces waited for five more minutes, but there was no contact by German or Afghan governments." "We waited and set the deadline, but Germany announced that they are not going to negotiate with us, then we ordered the death of one them," Ahmadi was quoted as saying. "The Afghan and German government have only one more hour to contact us for negotiation if not we will kill the last German hostage at 1:00 pm today (0830 GMT)," Ahmadi said. On July 18, Taliban insurgents kidnapped two German nationals along with their five Afghan colleagues in Maidan Wardak province and were keeping them in a safe place. Ahmadi earlier had said: "the Taliban leadership council demands all the German troops be pulled out of the country and in addition all Taliban prisoners in Afghan government jails be released."



Guests gather at the memorial plate for Third Reich resistance fighters at the Bendler block, Berlin, Germany, July 20, 2007. Representatives of the German Federal Council and the German Bundeswehr honoured the resistance of Wehrmacht officers against Adolf Hitler by laying a wreath at the Bendler block. Colonel Claus Schenk Count of Stauffenberg and three co-plotters were executed in the block for the failed assassination of Hitler on July 20, 1944

# SAP's Q2 profits higher-than-expected at 449 mln Euro

SAP recently posted an eight percent increase in net profits for the second quarter, with Asia software sales performing particularly well, Deutsche Presse-Agentur (dpa) reported. Net profits at 449 million Euro came in above analysts' expectations and the German-based company's shares rose 4.6 percent to 39.51 Euro in morning trade in Frankfurt.

The rise was boosted by an announcement by company chief Henning Kagermann that a share buyback programme would continue into the second half of the year. "Overall, global performance was good. Asia was particularly good and Europe above expectations," Kagermann was quoted as telling Germany's n-tv broadcaster from London.

Operating profits rose 10 percent on the same period a year earlier to 577 million Euro on turnover - also up 10 percent at 2.42 billion Euro.

Taking out currency effects - the company's results

are calculated in Euro - turnover rose 14 percent.

Kagermann denied that the strong Euro was affecting the company's performance. "The strong Euro is not hurting our business at all," he was quoted by dpa as saying. Kagermann also noted that SAP was "growing strongly organically," contrasting this with what he described as contraction at main competitor Oracle. Regarding a legal dispute with the Californian-based company, Kagermann was reluctant to comment, but said references to "data theft" by an SAP subsidiary were "putting it too high."

Kagermann said SAP remained on the look-out for acquisitions, but denied rumours that SAP could itself be a target.

Total turnover for the second quarter in the Asia-Pacific-Japan region rose 20 percent on the year to 304 million Euro, outpacing growth in Europe and the Americas. SAP is Europe's leading software company.



SAP chief Henning Kagermann speaks at the company's general meeting in Mannheim, Germany, May 10, 2007

## Financial incentives fail to increase the population

Despite financial incentives designed to encourage couples to have more children, Germany's population is continuing to decline, Deutsche Presse-Agentur (dpa) reported. The Federal Statistics Office in Wiesbaden said deaths outstripped births by 57,200 in the first three months of 2007, causing the population to shrink by 0.5 percent. A total of 149,300 children were born in the first quarter of this year, only 0.4 percent more than the corresponding period of 2006 - the year with the lowest birthrate in German history. The figures indicated that measures intro-

duced by the government last year had stopped a decline in the birthrate but had failed to trigger a baby boom.

The scheme includes a new form of state-funded child welfare support where parents can claim a percentage of their previous income while staying at home to raise their children. Although the measures did not legally come into force until December, they were announced in May, allowing couples to take advantage of them by having children in the first quarter of 2007. Revised figures released by the statistics office showed a total of 672,675

babies were born in Europe's biggest economy last year, some 1.9 percent or 13,000 fewer than in 2005. With 822,000 deaths recorded in 2006, the number of new births was below the replacement level. As a result, the population declined by 0.1 percent to 82.31 million, the statistics office said. Deaths have outstripped new births in Germany every year since 1991, but the population had risen because of immigration, it was reported. This trend ended in 2003, and the population has decreased every year since. Commenting on last week's data, German Family Affairs

Minister Ursula von der Leyen was cited by dpa as saying she was happy that more children were being born in a country which has one of the lowest birthrates in Europe. "But a lot more needs to be done to turn Germany into a country where young men and women no longer have reservations about having children," said the minister, herself a mother of seven. The government has also introduced tax breaks to help couples who want children. It has also agreed to a vast expansion of nursery school places that would allow women to raise children and continue working.

## Development minister holds talks in Beirut

Talks held in Beirut on July 19 by German Economic Cooperation and Development Minister Heidemarie Wiecek-Zeul focused on the political and economic situation in Lebanon, Deutsche Presse-Agentur (dpa) reported. Wiecek-Zeul, accompanied by Ambassador to Lebanon Marius Haas, met with Lebanese Prime Minister Fouad Seniora and other high-ranking officials, reports said.

Wiecek-Zeul toured the Palestinian camp of Chatilla accompanied by Richard Cook, the director of UN refugee affairs for the Pales-

tinians in Lebanon. According to Palestinian sources, the German minister promised to assist in the rehabilitation of the infrastructure of some camps in Lebanon which are home to 367,000 Palestinian refugees.

The German minister also signed an agreement for technical cooperation worth 10 million Euro. "We have signed a cooperation agreement. Germany has always supported Lebanon and its political and economic stability," Wiecek-Zeul was quoted as saying after meeting Seniora.

"We are now preparing for

another cooperation agreement for the amount of 20 million Euro specialised for dealing with water issues," the German official was quoted by dpa as saying. She added that Germany has helped in rehabilitating 32 schools which were damaged during the 33-day Israeli war on Lebanon in the summer of 2006.

During the minister's meeting with Seniora in Berlin in September 2006, she had promised reconstruction assistance for 2006 and 2007.

The resources are expected to be used for infrastructure development in the areas of

drinking-water supply and waste-water management, as well as for a vocational training programme for young people, dpa reported.

Asked about a possible German mediation for the release of two Israeli soldiers who were captured by Lebanon's radical Islamic Hezbollah movement in July, Wiecek-Zeul reportedly said: "They should be released, but I cannot speak about any mediation now."

Hezbollah guerrillas captured two Israeli soldiers on July 12, 2006, in a cross-border attack.



# Leterme starts talks for new coalition government

The Flemish Christian democrat Yves Leterme invited various political parties chairmen "with a view to forming a government" and held individual meetings with the Francophone liberal Chairman Didier Reynders and the Chairman of the Flemish liberals Bart Somers, for building a coalition to lead Belgium for the next four years, flandernews.be reported.

He held talks with Francophone Christian democrat Chairwoman Joelle Milquet, followed by the Flemish Christian democrat Chairman Jo Vandeuren and the Chairman of the Flemish nationalists Bart De Wever.

Earlier on July 16, the King Albert of the Belgians has given the former Prime Minister of Flanders Yves Leterme (Christian Democrat) the task of forming a new federal coalition. The former Federal Prime Minister Jean-Luc Dehaene, who had been given the task of clearing the way for talks to start, presented the King with his report on July 15 evening.

Despite big differences among political the parties, the former Federal Prime Minister



Flemish Minister President Yves Leterme (C), of the CD&V, Flemish Christian Democrats party, gestures as party chairman Jo Vandeuren (L) and Flemish Minister Kris Peeters (R) look on, during a press conference following the Belgian federal elections, at the CD&V headquarters, in Brussels, June 11, 2007

Jean-Luc Dehaene says that he is confident that parties will accept the invitation to take part in the coalition.

King Albert II appealed to Belgians across the French-Dutch linguistic divide on Friday to do more to build unity as the country celebrated its Independence Day over the week-

end. In a televised address, Albert called for cultural and working links between Flanders and Wallonia but avoided statements about political unity. Arduous negotiations are under way between political parties trying to form a coalition government.

The king praised commu-

nity projects to foster unity and called for greater cooperation between universities. He appealed for the dominant Flemish and Walloon communities to respect diversity, even as talks have dragged on for weeks following the election and no government has been formed.

## Babcock acquires Belgian port operator

Listed cash box Babcock & Brown Infrastructure Group (BBI) recently made its third European concessional port acquisition this year, after snapping up a majority stake in Belgian port operator Manuport Group, local reports revealed last week. The Babcock & Brown Ltd managed fund, which is currently awaiting a regulatory decision on a rejigged USD 2.6 billion play for US energy supplier NorthWestern, did not divulge the value of the Manuport takeover.

But it did disclose that the total enterprise value of the

three European concessional ports it bought in the last 12 months at about 402 million Euro. The acquisition of Manuport will be immediately accretive to BBI, the fund said.

The owner of the biggest white sugar storage facility in the world, Manuport handles more than eight million tonnes of sugar, fertilisers and minerals a year. The port has long term concessions over approximately 4.7 kilometres of berth and over 70 hectares of land in the ports of Antwerp and Ghent.

It also operates one of the largest industrial logistics

providers in Benelux and France, which mainly supports its port operations, and runs minor port facilities in France (Le Havre) and Bulgaria handling over one million tonnes per annum. In the concessional port space, where the land the port is built on is leased from another owner, BBI has bought 51 percent of Tarragona Port Services in Spain, with an option to acquire the rest by 2009, and a 51 percent holding in Belgian based Water Container Transport. BBI is cashed up, after an initial offer for NorthWestern was blocked by

Montana regulators concerned about the asset's welfare and the effect a takeover would have on local energy prices.

"BBI remains confident in its ability to deploy funds raised in respect of the NorthWestern acquisition in a timely and accretive manner, should that acquisition not proceed," the fund said. Under the agreement, the acquisition of Manuport will be immediately accretive to BBI. As for its other European port assets, BBI will aim to accelerate the development of the ports under Manuport's control.

## Belgium 17th on (Un)happy Index

Belgium did not score very well on the European (Un)happy Index, a sort of happiness barometer drawn up by British think-tank the New Economics Foundation. Belgium scored 17th on a list of 30 countries. Countries whose inhabitants leave a small ecological footprint scored higher on the list. The world already knew that money can't buy happiness, but it now emerged that a large ecological footprint could not a guarantee for a carefree existence either, according to the European (Un)happy Index. The (Un)happy Index compares the sense of contentment and life-expectancy with the average ecological footprint of residents, that is the impact that our lifestyle has on the environment. The NEF wanted to figure out whether higher energy consumption makes for happier people. Not the case, according to the results. And that means, said the NEF, that people will not necessarily be less happy if they adopt more environmentally-conscious lifestyles.

## Belgacom has electronic billing for professional market

It's a sign of the electronic times, and now Belgium's telecommunications company Belgacom, in cooperation with its subsidiary Certipost, will offer the electronic bill, known as Belgacom ELISE, to its all professional customers, free of charge.

The self-employed and public services can also avail e-invoice service which was formerly available only to Belgacom's most important corporate customers, the company said in a press release on July 16.

Announcing the decision, Belgacom, said that the company is implementing the electronic billing to save energy and paper. Thus, as a member of ETNO (the European Telecommunications Network Operators' Association), Belgacom has signed an agreement to adopt a series of measures aimed at protecting the environment, including activities to save paper, limit carbon-dioxide emissions, save energy, etc, the company said.

## LUXEMBOURG

### Spin-off gets funding for neurodegenerative research

The Luxembourg Government would provide funding for a research project on neurodegenerative diseases led by the first true spin-off from the University of Luxembourg, Axoglia Therapeutics. The agreement, which would channel 795,000 Euro in government funding into the project, was signed on July 18. Private investors are also expected to provide around 300,000 Euro. The project is an attempt to develop a new family of innovative molecules that can be used to treat neurodegenerative diseases and inflammations of the nervous system, such as those found in Alzheimer's patients. Axoglia Therapeutics was founded following the discovery of a particularly promising molecule by researchers from the University of Luxembourg, who were working with France's National Centre for Scientific Research (CNRS) and the Louis Pasteur University in Strasbourg. The molecule's properties suggested that it could be used to treat diseases such as Multiple Sclerosis, Alzheimer's and Parkinson's.

### Dexia creates new Lettres de Gage bank business

Dexia LdG Banque SA, a 100 percent owned subsidiary of Dexia BIL, recently obtained authorisation from the Luxembourg Treasury and Budget Ministry to conduct all business covered by the law relating to "Lettres de Gage" issuing banks, Dexia group said in a press release on its website. Managing Director and Chairman of the Management Board, Marc Henry said that this project is perfectly aligned with the strategy pursued by the Dexia group's leading business line: "Luxembourg legislation has widened the notion of the eligible assets which may be used as cover for 'Lettres de Gage', thus enabling the Dexia group to take a more active part in developing the local economy since it can ensure optimum refinancing of its assets."

### Strong growth seen in Clearstream's core business

Luxembourg-based European supplier of post-trading services, Clearstream's core business shows strong growth in June 2007, the company said in a press release on July 13. Clearstream, a wholly owned subsidiary of Deutsche Boerse, processed 2.64 million international transactions in June 2007, a 36 percent rise over June 2006 (1.94 million). Of these transactions, 74 percent were Over the Counter (OTC) transactions and 26 percent were registered as stock exchange transactions. Domestic settlement transactions in Germany stood at 4.4 million compared to 3.26 million for the same month last year (a rise of 35 percent). Of these transactions 64 percent were stock exchange transactions and 36 percent OTC transactions, press release said.

### Jetair to offer low-cost flights to Liege soon

Belgian tour operator, Jetair NV, will begin operating two weekly low-cost flights between Tel Aviv and Liege in the winter of 2007, the carrier announced through a statement last week. The airline will operate Boeing 737-700 passenger planes, which have a seating capacity of 150. Jetair is a subsidiary of German tour operator TUI AG. The Israeli Ministry of Tourism said it would provide Jetair with a safety net; if it cannot fill the seats, the government would pay compensation. Ministry of Tourism director general Shaul Tzemach and TUI VP head of destination airports Ronald Taylor discussed the operation of more routes for which the ministry would provide a safety net.

### Owens Corning to sell composite plants

Owens Corning (OC) on July 17 revealed the planned sale of a glass fiber reinforcement manufacturing facility in Battice, Belgium. The company said that the sale "is intended to address regulatory concerns" associated with the proposed formation of a joint venture between Saint-Gobain's Reinforcement and Composites business and Owens Corning's Reinforcements business. Additionally, the company said it was in discussions with Saint-Gobain regarding the potential conversion of the proposed joint venture into an outright acquisition by Owens Corning of Saint-Gobain's Vetrotex business.



## Number of organ donors increases a lot

Some 12,000 Dutch nationals have registered as organ donors since June 1, following the broadcast of a controversial television show, a spokesman for the Dutch donor registry said on July 16, dpa reported. Usually, the registry receives some 3,000 to 4,000 forms per month, on which people can indicate whether or not they want to donate their organs after they die. Some 95 percent of the newly-registered people agreed to donate their organs after their death, according to the registry spokesman. The dramatic increase in people expressing their wishes to donate their organs follows the broadcast on June 1 of the Big Donor Show by Dutch public broadcaster BNN. In the 10 days following the show, some 43,000 donor forms were downloaded from the Internet. So far, 12,000 have been sent in to the national registry. BNN attracted worldwide attention after it announced it would air a show during which a terminally ill woman would pick one out of three contesting kidney patients to donate her kidney to. The highly controversial programme turned out to be fake. BNN said it had intended to raise public awareness about the shortage of organ donors. Some 5.1 million Dutch nationals aged 12 and over have already expressed their wishes to the donor registry. Some 2.9 million of them have indicated they want to be an organ donor after they die.

## Philips' medical division results disappoint again

The medical division of Dutch electronics company Philips on July 16 posted disappointing results for second-quarter 2007 with operational profits of 151 million Euro (USD 208 million) falling short of the 163 million Euro forecast by analysts, dpa reported. Turnover for the division however increased by four percent, the company said in a statement. Overall company pre-tax earnings increased by 22 percent for the quarter amounting to 302 million Euro, lower than the 308 million Euro analysts had hoped for. Net profit amounted to 1.569 billion Euro, including a booking profit of 1.22 billion Euro resulting from the sale of Philips' share in the Taiwanese chip producer TSMC. Turnover amounted to 6.1 billion Euro, slightly more than expected. Last year in the same quarter turnover was 6.38 billion Euro. Philips said it is "on track" to achieve its goals for 2007. The company is aiming for a turnover growth of five to six percent; profit is expected to be 7.5 percent of the company's turnover. In the second quarter of 2006 profit was 6.4 percent, compared with 4.5 percent in 2005.

## One answer for Darfur: Dutch troops may be sent

The cabinet is considering sending troops to the war-torn Sudanese region of Darfur to take part in the joint United Nations-African Union peace-keeping mission due to be deployed at the end of this year, Dutch News reported on July 16. The announcement came from Foreign Minister Maxime Verhagen and Aid Minister Bert Koenders on July 13. In a letter to MPs, the ministers said that the government is looking into the desirability and feasibility of making a contribution to the mission following a request from the United Nations on June 25. According to media reports based on sources within the defence department, the government is also looking at whether the Netherlands could provide logistical support, intelligence officers, soldiers or a field hospital for the Darfur mission. The sources say that two Dutch officers are already in Sudan to prepare for the mission. Koenders says it is a "breakthrough" that the government is "seriously investigating" the possibility of a Dutch role in Darfur.

## Forget picture tubes, buyers now flocking to digital TV

Some 28 percent of Dutch homes, or a total of two million households, now receive a digital television signal, the TNS NIPO research institute said, dpa reported on July 13. In the second quarter of 2007 alone, some 300,000 homes switched to digital television. In its quarterly poll of technology and multimedia habits among Dutch consumers published on July 13, TNS NIPO said the upgrade to digital broadcasting did not reflect consumer demand, but resulted from the many "package deals" from companies offering digital television services. Many companies, such as cable company UPC or telecom provider KPN, offer free digital signal receivers or decoders.

# ABN Amro shares on the rise following higher bid

**A**BN Amro shares rose by 3.8 percent July 16 following the revised takeover bid announced by banking consortium Fortis NV, Royal Bank of Scotland (RBS) and Santander, Deutsche-Presse-Agentur (dpa) reported on July 16.

Earlier that same day the three banks announced they were prepared to pay 71.1 billion Euro (USD 98.03 billion) for the Dutch bank excluding its US subsidiary LaSalle.

"Taking over ABN Amro bank was an interesting opportunity ... and it still is ..." said board President Fred Goodwin (RBS). The consortium's bid is 13.7 percent higher than that of British bank Barclays. Financial analysts of Rabo Securities said the existing Barclays offer "is no longer a serious alternative."

ABN Amro refrained from commenting on the new offer, but Barclays responded it would not persist in its efforts to take over ABN Amro at any cost. "We will only continue



A bank clerk pictured behind the window of a Royal Bank of Scotland branch in Cardiff

our efforts to take over the bank if it gives appealing results for our shareholders," board President John Varley said.

The consortium's offer

implies the consortium values ABN Amro at 38.40 Euro per share, equalling its previous bid for the bank including LaSalle.

The three banks also decided to

raise the share of cash in the bid to 93 percent, substantially higher than the 79 percent cash payment in their previous proposal. The share of each bank in the overall bid remains unchanged. RBS will pay 27.2 billion Euro, Fortis NV will pay 24 billion Euro while Santander pays 19.9 billion Euro.

The consortium said the bid is only relevant provided ABN Amro "did not agree to takeovers or sales that would impact a substantial part of its activities or liquidities."

On July 13 the Dutch Supreme Court ruled ABN Amro was permitted to sell its US subdivision LaSalle without prior consultation of the shareholders. Dutch financial markets watchdog AFM gave Barclays and the banking consortium until July 23 to make a bid. Dutch financial markets watchdog AFM has given Barclays bank until August 6 to present its final bid for the takeover of ABN Amro bank, it was confirmed July 19.

## Barclays wants to invest in Amsterdam business school

Britain-based Barclays bank wants to invest 20 million Euro in a new executive business school of the University of Amsterdam, dpa reported on July 17. Announcing their cooperation plans, Barclays and the University of Amsterdam said that the British bank's financial support for the project would however depend on the outcome of its bid to take over Dutch bank ABN Amro. Frits Seegers, Dutch board member of Barclays, said that if Barclays headquarters was to move from London to Amsterdam, as envisioned in the takeover

agreement with ABN Amro, it was vital that Barclays support the city of Amsterdam. Seegers added the British bank was "confident" it would successfully take over the Netherlands' largest bank. "I am fully confident the transaction will go through," Seegers said, adding Barclays' offer was better than that of a rival consortium because it was "based on growth."

The competing bid by a banking consortium led by Royal Bank of Scotland was based upon "different things," Seegers said. Seegers remarked shareholders in the

British bank were pleased with Barclays' growth predictions and a possible combination of ABN Amro and Barclays.

Earlier July 17, the London-based Financial Times reported that Barclays Bank was considering making a new bid for ABN Amro. It would include plans to finance a substantial part of its takeover bid in cash, the report said. The report also said that Barclays was considering raising its bid. Barclays' current bid for the Dutch bank stands at 67 billion Euro, entirely financed with shares.

## Finance minister opens door to Sharia banking

Dutch Finance Minister Wouter Bos wants to investigate options for developing Islamic banking in the Netherlands, the minister said on July 16 in a letter to the Dutch parliament, dpa reported.

In the letter, which came in response to queries from the liberal-rightist Freedom Party (PVV), Bos said that this particular form of banking meets an existing demand of a portion of Dutch Muslim consumers.

Islamic law prohibits the collection and payment of interest, as well as also investment in businesses that are considered unlawful or that engage in activities inconsistent with Islam. Instead of asking interest,

Islamic banks share profits and losses to finance their activities.

At present, only London and Dubai are involved in Islamic banking. In his letter to the parliament, Bos said Islamic banking provides interesting business opportunities for the Dutch financial industry.

The PVV had expressed its concern about Islamic banking, which it says lacks transparency and results in higher credit risks. The PVV also fears that the built-in "zakat" or philanthropy mechanism in the banking structures increases the likelihood of covert support to Muslim terrorism.

In his response, Bos wrote that pro-

hibiting Islamic banking would backfire on Dutch society precisely when it comes to the war on terrorism. A prohibition might create alternative money channels that would remain invisible to the Dutch authorities, Bos said.

The finance minister stressed that Islamic banks, or Western banks offering Islamic banking services, operate under Dutch law for the financial industry. He also noted that the Netherlands promulgated laws aimed at preventing the financing of terrorist activities, but there was no elaboration on how that would jibe with overseeing the activities of Muslim banks.

## Don't bogart that joint, my friend

In the country where marijuana used to be synonymous with freedom, the Rotterdam city council has voted to shut down 27 so-called coffee shops, where small amounts of cannabis can be bought and sold, because they are too close to schools, Dutch News reported on July 13.

Earlier this year the city decided to shutter all coffee shops within 250-metres walking distance from secondary schools by 2009.

The owners will not receive compensation. The Netherlands is notorious for being cannabis-friendly, but there was no

reaction from the lovers of the joint on how they felt about the impending ban.

Allowing purchase of marijuana made Amsterdam, especially, attractive to legions of young people and students around the world, as well as those who believe the use of marijuana should not be a criminal act.



# Former BAWAG executives charged in banking scandal

On July 16, in an Austrian courtroom, eight former executives of BAWAG and a US-based investment banker were charged in the banking scandal, in which losses led to the near collapse of the union-owned bank, with the misappropriation of funds through negligence and the falsification of bank balances to cover up losses of more than 1.4 million Euro, Deutsche Presse-Agentur (dpa) reported. Prosecutor Georg Krakow stressed that all nine defendants were responsible for the losses of more than 1.44 billion Euro, saying they had "consciously gambled away" the bank in "illegal speculation deals," he told the Vienna court.

The "speculators who brought about one of the largest losses in banking deals worldwide" had repeatedly misappropriated bank funds by knowingly abusing their competencies, the prosecutor was quoted by dpa as saying.

In October 2005, BAWAG approved a USD-430-million credit to New York commodities brokerage Refco hours before it filed for bankruptcy. The bank was further implicated by a lawsuit demanding damages for the Refco collapse.

In March 2006, reports revealed that between 1995 and 1999, BAWAG had lost 1.44 billion Euro in speculative investment deals in the



Austrian BAWAG bank's former chief executive Helmut Elsner (R) and BAWAG's New-York based investment banker Wolfgang Floettl (L) in court for the fourth day of their fraud trial, in Vienna, Austria, July 19, 2007

Caribbean, masterminded by Wolfgang Floettl, 51, a US-based investment banker and the son of a former BAWAG CEO.

Austria had to save the bank from collapse with a 900-million-Euro bail-out. BAWAG was sold to US private equity firm Cerberus Capital Management in December 2006 for 3.2 billion Euro. The main defendant - former BAWAG chief executive Helmut Elsner - is regarded as the key figure in case that also saw the problems experienced

by BAWAG, endanger Austria's trade union federation, which had pawned its strike funds to cover the bank's losses.

Elsner was the "head of a group that almost ruined BAWAG" and had instigated the speculation deals and later attempts to hide losses, Krakow was cited as telling the court. All of the defendants pleaded not guilty. "The BAWAG management may have gone to the limits of the banking laws, but did not overstep the rules," Elsner's lawyer Wolfgang Schubert was

quoted as saying in a statement to the court. Elsner's legal counsel criticized the "man-hunt" against his client, expressing fears that there would be no fair trial. Austrian media reported extensively about the case.

The trial is expected to last until October 31, with sessions every week. More than 50 witnesses, among them prominent Austrian politicians and business figures, will be heard. If found guilty, the defendants face sentences of up to 10 years in prison.

## Govt and Interpol work on creating anti-corruption academy

Austria and Interpol took another step toward the establishment of the world's first anti-corruption academy with the signing of a headquarters agreement on July 17 in Vienna, Interpol reported on its website. "In the age of globalisation, economic, political and social integration has to be accompanied by strengthening state institutions, by good governance and by enforcing the rule of law," Austrian Federal Minister of the Interior Gunther Platter was quoted as saying. "Today's signing of the headquarters agreement creates the legal basis for the

establishment of the Interpol Anti-Corruption Academy in Austria and represents the conclusion, so far, of the successful negotiations between Austria and Interpol," Platter was furthermore quoted as saying.

The agreement, signed by Platter and Secretary General Noble, outlines the immunities and privileges Austria will grant to Interpol, its officials working at the academy and the police officials and others from around the world who will attend classes or lecture at the academy, which is to begin operations in 2008 and open officially in

2009, it was reported. The academy will provide high-level academic education and research to police and anti-corruption professionals from around the world in such areas as asset tracing and recovery, money laundering, development aid investigation and oversight, forensic accounting and ethics. "Corruption undermines everything the law enforcement community works towards. It impoverishes whole communities, and threatens the safety and security of the many for the benefit of a very few," Noble said.

## LLI acquires 60% stake in foreign bakery companies

Austrian food industry investment company Leipnik Lundenburger Invest (LLI) has acquired a 60 percent stake in bakery companies Loulis of Romania and Sofia Mel SA in Bulgaria, the company said in a statement, Flex

News reported on July 17. The acquisitions are in line with LLI's expansion strategy in the European milling market. Loulis Romania is part of Greek group Loulis, which has two sites in Romania, in Bucharest and in Targu

Mures, where about 210,000 tonnes of grain are milled per year. In Bulgaria, the group has a facility in Sofia with an annual milled quantity of approximately 130,000 tonnes, it was reported. The group also owns sites in Volos and

Piraeus in Greece, as well as in Tirana, Albania. To ensure the efficient management of the LLI mill group in the future, a holding company has been set up. LLI Euromills GmbH started to operate on June 30, 2007.

## SLOVENIA

### Gorenjska banka reports H1 profit at 36 mln Euro

Gorenjska banka posted 36 million Euro in pre-tax profit in the first half of the year, which is 60 percent of the plan for 2007, Slovene Press Agency reported on July 18, cited by reporter.gr.

Total assets went up by 12.6 percent to 1.68 billion Euro, which gives it a 4.5 percent market share by assets, the bank was cited as saying. The planned increase of the total assets has been exceeded by buoyant demand from legal persons to long-term loans.

### Telco to supply fresh capital in Bosnian Internet provider

Telco Telekom Slovenije will supply its Blic.net subsidiary from Banja Luka with 4.5 million Euro of fresh capital.

The funds for the Bosnian company, located in the Srpska Republic, will be used for the construction of broadband internet infrastructure, Telekom Slovenije said, Slovene Press Agency reported on July 16.

Slovenian Telco said that the funds will be used to facilitate the construction of broadband wireless Internet access and IP telephony. The money will be channeled into expanding the communication backbone in the Srpska Republic, access network and optical network, as well as voice over IP equipment, it was reported.



Slovenia's Minister of Transport Janez Bozic (L) and Italy's Transport Minister Antonio Di Pietro sign a joint request to the European Union in Rome, Italy, July 17, 2007. The two ministers signed a joint request to get European funds as financial support

### Plans for cross-border rail link with Italy

Slovenian Transport Minister Janez Bozic and his Italian counterpart Antonio di Pietro signed in Rome a memorandum of understanding (MoU) on the construction of a railway section between the Italian port city of Trieste and the nearby Slovenian transport hub of Divaca, Slovene Press Agency reported on July 18, cited by reporter.gr.

By signing the MoU on the section - part of the trans-European transport corridor between France's Lyon and the Ukrainian border - the two countries made the commitment to jointly apply for money from the Trans-European Transport Network (TEN-T) fund, Bozic was cited as saying. The two countries could receive co-funding to the tune of 50 percent for the necessary project documentation and up to 30 percent for construction, which is expected to begin in 2013, he added. Bozic said preliminary activities were assessed at 106 million Euro with Italy securing 44 million Euro and Slovenia the remaining 62 million Euro. Both countries are to get half of the TEN-T funds. The MoU puts the value of construction works at 139 million Euro. Bozic also said it was difficult to say when construction would begin, adding that Slovenia wanted to begin construction of a second railway line between its seaport of Koper and Divaca, "a constituent part of the project," by 2015. Upgrading the Koper-Divaca link would connect Slovenia's sole seaport to the 5th Pan-European Transport Corridor which stretches from Lyon to Turin, Venice, Trieste, Ljubljana, Budapest and the Hungarian-Ukrainian border, it was reported.

Austrian real estate developer Warimpex Finanz-und Beteiligungs has acquired some 99.9 percent of the four-star Golden Tulip Sky Gate located nearby the Henri Coanda Airport in Romania, according to reporter.gr. The parties agreed not to disclose the value of the acquisition, according to a Warimpex press release. The Sky Gate is the only hotel addressing to the international business travelers situated near the Bucharest airport, it was reported.



## IRELAND

## Ryanair to open new route with Czech Republic, Spain

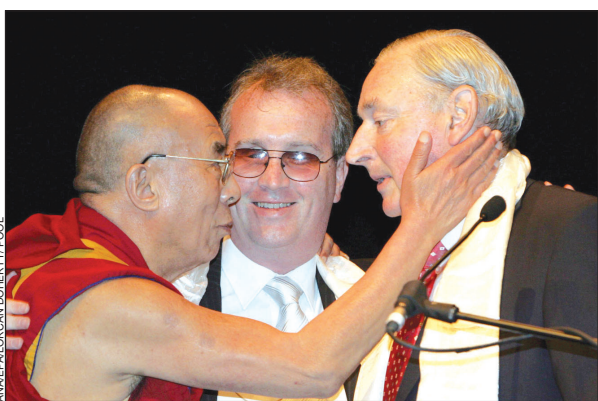
Irish low-cost airlines Ryanair recently announced it is due to launch a connection between the Czech city of Brno and the Girona airport, 100 kilometers north of Barcelona, as of end-October, Interfax reported. "The route will commence on October, 29 and will be operated four times weekly with ... Boeing 737-800 taking onboard up to 189 passengers," the company's sales and marketing manager Tomasz Kulakowski was quoted by Interfax as saying. In the first year of operations, Ryanair expects to carry 60,000 passengers, bringing the total number of passengers carried every year through Brno to 160,000, according to Kulakowski. In the Czech Republic, Ryanair has been operating a Brno-London Stansted connection since March 2005. Its biggest rivals on the Czech market are Slovak budget carrier SkyEurope and domestic low-cost Smart Wings, as well as Czech flag carrier CSA, which operates mainly from the main Ruzyně airport in Prague.

## EI-backed companies record strong performance in 2006

The annual report of Enterprise Ireland (EI) released in Dublin recently showed that the companies supported by the organisation recorded a strong performance last year, achieving a record 1.699 billion Euro in gross new export sales, Business World reported. These sales contributed to total exports of 1.779 billion Euro, it said, which represented net growth of 12.1 percent on the previous year. Chairman of Enterprise Ireland Pat Molloy was cited as saying the performance was the result of "ambitious international sales and partnering strategies being implemented by Enterprise Ireland's client companies." Meanwhile, employment at such companies rose by a net total of 1,261. Enterprise Ireland is targeting further improvement in the current year. It is hoping that its companies would generate three billion Euro in new export sales by the end of 2007, with the number of firms engaged in "significant R and D" (two million Euro plus) rising to 42 - up from 40 last year. EI said it would support the creation of 210 new high potential start-up companies nationwide by the end of this year, up from 76 in 2006. One of its other major goals in the current year is to drive export readiness by implementing productivity and competitiveness improvement projects in over 300 firms, it was reported. This would constitute twice the number funded in 2006.

## Council for Northern Ireland peace meets

On July 17, the council set up under the Northern Ireland peace process bringing together ministers from the two parts of the island was meeting for the first time in Armagh, a statement from Irish Prime Minister Bertie Ahern's office said, Deutsche Presse-Agentur (dpa) reported. Ahern was leading the Irish delegation to meet with Northern Ireland First Minister Ian Paisley and his deputy, Martin McGuinness, at the North-South Ministerial Council in the ecclesiastical capital of Ireland. It was expected that the council would announce a series of cross-border infrastructural investment projects, the first of which is the restoration of the Ulster Canal, Ireland's national broadcaster RTE reported.



His Holiness, the 14th Dalai Lama (L) of Tibet speaks with Children in Crossfire Director Richard Moore (C) and Charles Inness, the soldier who fired the plastic bullet that blinded Richard when he was a 10 years old boy, July 18, 2007. He visited on the two day Children in Crossfire conference "A Promise for the Future" to celebrate the rights of children, in Londonderry, Northern Ireland

## Insufficient evidence in "cash for honours" case

The Crown Prosecution Service (CPS) announced on July 20 that there will not be any charges Britain's "cash for honours" scandal that rocked former British prime minister Tony Blair's final days in office, Deutsche Presse-Agentur (dpa) reported. Prosecutors said there was "insufficient evidence" for a conviction in the investigation into possible cash payments to Blair's Labour Party in exchange for peerages.

"Having considered all of the evidence in this case, I have decided that there is insufficient evidence to provide a realistic prospect of conviction against any individual for any offence in relation to this matter," CPS Special Crime Division head Carmen Dowd was quoted by dpa as saying. The probe into possible secret loans for Labour's 2005 re-election campaign involved Lord Levy, Labour's chief fundraiser, Ruth Turner, Blair's former head of communications, Sir Christopher Evans, a biotechnology entrepreneur, and Des Smith, a teacher who worked for a trust that helped find sponsors for schools, it was reported. Lord Levy said in a



Former British prime minister Tony Blair

statement that the decision was a "great relief," Britain's BBC news service reported.

Police questioned 136 people in connection with the charges, including Blair three times, the first serving prime minister to have done so. Former Conservative leader

Michael Howard was also questioned. Assistant Commissioner John Yates headed the police investigation. Chris Fox, a former president of the Association of Chief Police Officers, told BBC Radio 4's Today programme on July 20: "I'm confident that John Yates and his

team will have done everything they possibly could to get to the bottom of the allegations." The investigation was sparked by a complaint by Scottish Nationalist Party Member of Parliament Angus MacNeil who alleged Labour was selling off House of Lords privileges.

## Two terror suspects released, others remain in custody

On July 20, British Police released two men in Bristol who had been arrested on terrorism suspicions.

Meanwhile, a London court ruled that a fourth suspect accused in the unsuccessful terrorist attacks in London and Glasgow is to remain in custody, Deutsche Presse-

Agentur (dpa) reported. The release of the two came the same day that police had first disclosed that they had made the arrests on July 18 after a house search for drugs had turned up substances which might be linked to terrorist activities.

But July 20, police said the

two men - one of whom was of Afghan heritage - had been released as the suspicions could not be substantiated.

The development came as a London court ordered that Mohammed Asha, who was charged on July 18 with conspiracy to cause explosions in the failed car bomb attacks in

London and Glasgow, was to remain another week in custody until the next court date.

Four men have been charged in connection with the car bombs defused in central London on June 29 and the driving of a blazing Jeep into the terminal at Glasgow airport a day later, dpa reported.

## More soldiers killed in Iraq - 3 in mortar attack

The British Defense Ministry in London recently reported that last week, three British soldiers were killed in a mortar attack on their base in southern Iraq, Deutsche Presse-Agentur (dpa) reported. The three air men were killed in Basara on July 19. Since the beginning of the Iraq war in March 2003, 162 British soldiers have died. British Defence Secretary Des Browne was cited as saying in London that the number of British troops in Iraq would be reduced by a further 500 to 5,000 by the end of the year. Britain's forces in Iraq are stationed mainly in the south of the country and are gradually handing over their duties to their Iraqi counterparts. British Prime Minister Gordon Brown has so far resisted giving a definite deadline for the complete withdrawal of British troops from Iraq.

## Labour Party defends seats in by-elections

The Labour Party recently defended its seats in two high-profile by-elections on July 19, in the first electoral endorsement for British Prime Minister Gordon Brown since he became prime minister about one month ago, local media reported, cited by Deutsche Presse-Agentur (dpa). Phil Wilson won Sedgefield to succeed former prime minister Tony Blair in the House of Commons in London, it was reported. Wilson received 44.8 percent of the votes, with second place Liberal Democrats almost doubling their party's share of the vote and pushing the Tories into third place. Labour candidate Virendra Sharma won in Ealing Southall, where elections were held following the death last month of parliamentarian Piara Khabra. The Liberal Democrats led the Tories in the votes for second place.

## Kouchner, Miliband have friendly meeting

On July 18, British Foreign Secretary David Miliband thanked his French counterpart, Bernard Kouchner, for France's support in the diplomatic crisis with Russia, Deutsche Presse-Agentur (dpa) reported. Miliband

told journalists after a meeting with Kouchner in Paris: "We are very appreciative of the very strong solidarity" expressed by France in Britain's attempt to extradite a suspect in the murder of Kremlin critic and

British citizen Alexander Litvinenko. Miliband was on his first foreign visit since taking office. For his part, Kouchner said that "justice must be allowed to take its course" in the Litvinenko case.



# Suddenly, everyone wants to live near the royals

Nothing like having a prince and princess in the neighbourhood to lift property values. Interest in owning a holiday home near the location of Norwegian Crown Prince Haakon and Crown Princess Mette-Marit's future summer house has been strong, reports said on July 16, dpa reported..

The company developing the area in southern Norway said its capacity had been "overstretched," but said an estate agent would "continue to register" people who were interested in the area, the Verdens Gang newspaper reported. Interest surged after the palace said that the royals had bought two lots in Nore and Uvdal located near the Geilo ski resort. One of the lots was likely to be used by

police in charge of their security.

For the time being, the developers have withdrawn online information including a price list and details of the lots "until we open for sales again," the report said. Last year, the royals dropped plans to buy property near the southern city of Kristianstad over security concerns. Nore and Uvdal is some 200 kilometres west of the capital, Oslo. Norwegian news agency NTB earlier said the royals had signed the title deeds and were anxious to start building their future holiday home, and local newspaper Laagendalsposten said the building permits allowed the royal couple to build a house of up to 150 square metres on each of the lots.



Norwegian Crown Prince Haakon (L) and his wife Crown Princess Mette-Marit

## IEA oil output target doesn't cause worry

A report of the International Energy Agency (IEA) predicted that Norway's daily production would be 2.51 million barrels of oil and oil condensate in 2007, Norway Post reported. Norway said it was comfortable with a gap between its own official estimates for 2007 oil production and that of the International Energy Agency, which indicated a larger-than-expected fall in Norwegian oil output.

This compared with the Norwegian Petroleum Directorate's January prognosis of 2.6 million barrels - itself a strong downward adjustment from an earlier prediction of three million. The IEA report predicted that Norwegian oil production will fall to 2.4 million barrels in 2008, 2.26 million in 2009 and 2.05 million in 2012, an IEA analyst said. The Norwegian directorate told Thomson Financial that the IEA figure did

represent a big difference. However the spokeswoman said the number fell within a "span of uncertainty" a range of lowest and highest predicted levels made by the directorate for Norway's future oil production. She refused to disclose those figures but said that in the current year Norwegian oil production has been better than expected. "So far our production has been a little bit above our own prognosis," she said.

## Job market dwindling, ads down across the board

According to new quarterly figures from Monster Employment Index, prepared by the US employment agency Monster, the Norwegian market is stagnating compared to the rest of Europe. Norway's high rate of employment is now dwindling, according to the index that measures hiring, Norway Post reported.

The index, reports newspaper Dagens Naeingsliv, monitors the number of help-wanted ads registered on an area's five

largest Internet recruiting sites. In Norway, that meant monitoring job sites for Nav, Finn.no, StepStone, Jobb direkte and Monster itself.

The number of job vacancy ads has fallen five percent in Norway since March. Denmark has seen its ad volume increase by 26 percent. Only Latvia saw less job recruiting than Norway, according to the Monster index. Stein-Erik Myhre of Monster noted that it was not unusual for recruiting activi-

ty to slow down because of seasonal factors.

However, the magnitude of the slowdown could indicate that the market has topped out. Much of the reduction came in the agriculture, finance, marketing, construction and oil sectors. Einar Jacobsen, an economist with Norway's largest employers' organization NHO was not surprised by the reduction in recruiting ads. "We've been lying at the top for so long, this had to come," he said.

## ICELAND

### Kaupthing best bank in the Nordic Region

Euromoney recently Kaupthing as winner for Awards for Excellence, one of the most awards in the global banking industry, IcelandReview reported. The Euromoney Awards for Excellence are the most prestigious awards go to the firms and the people that run them. They are also a recognition of institutions and individuals that demonstrate leadership, innovation, and momentum in the markets in which they excel. Euromonet cited Kaupthing's staggering asset growth and impressive financial ratios as main reason for bestowing the award. Armann Thorvaldsson, CEO of Kaupthing Singer and Friedlander, collected the award on behalf of the bank. He said, "It gives me particular pleasure to accept this international award, which is recognition of our good work."

### Icelandair introduces one-way fares from the UK

Icelandair recently announced that it introduced one-way fares to Iceland from its three UK gateways. This was announced on the occasion of its 70th anniversary, of Icelandair, IcelandReview reported. The airline offers up to 21 departures each week to Iceland from London Heathrow, Glasgow and Manchester, with one-way fares on sale now from 70 Euro including taxes. Helgi Mar Bjorgvinsson, Icelandair General Manager UK & Ireland, said, "By introducing value for money one-way fares Icelandair offers UK travellers greater flexibility." This is part of a service improvement programme which includes a cabin refit, an improved in-flight entertainment system, new destinations and online developments to make booking and travel easier.

### Cheap energy entices data centres to come

A recent report by Price Waterhouse Coopers which rated Iceland as having the cheapest running costs for data storage centres compared to the US, UK and India, has encouraged establishment of more data centres all over Iceland, IcelandReview reported. The report highlighted the abundance of hydroelectric and geothermal energy in Iceland which is renewable, clean and cheap. Data centres which are built in Iceland would not contribute to global warming nor require carbon credits. Half the energy consumption of normal data centres is used for cooling hardware. Data centres in Iceland would save a considerable amount of this energy by harnessing the natural colder climate - thus reducing energy bills even further. The report also identified the years of built-up experience of Icelandic telecommunications and software companies with international businesses.

### Most companies meet gender rule for board members

A majority of Norwegian companies fulfill requirements that at least 40 percent of board members should be women, according to a survey released on July 13 by Statistics Norway, dpa reported. The agency said 57 percent of public limited companies fulfilled the requirement for gender representation as of July 1, with six months left before legislation concerning a more even gender balance comes into effect as of January 1, 2008. The legislation, adopted in January 2006, applies for some 500 companies - both publicly owned enterprises and privately owned public limited companies. The survey suggested that women board members were younger and had a higher level of education. While the average female board member was 45.6 years old, and seven in 10 had completed tertiary education, the average male board member was 51.2 years old, and six in 10 had completed tertiary education. The study said that 116 public limited companies still had no women on the board, and only 4 percent of boards were chaired by women. The size of the board determines how many women must be represented. Boards with 10 members or more must have at least 40 percent women. In a joint statement, Equality Minister Karita Bekkellem and Trade and Industry Minister Dag Terje Andersen welcomed the trend, noting that a year ago 30 percent of companies met the demands. Andersen noted that state-owned firms now fulfilled the demands. Companies that fail to meet the requirements face possible dissolution by court order, but the law also allowed fines.

### DiGi in New Postpaid Drive to lure customers

The Norway-based DiGi Telecommunications Sdn Bhd announced to offer the lowest voice call rate individuals and the business community in Malaysia.

This move is part of an aggressive drive to bolster its postpaid business, Norway Post reported.

The new rate will apply to companies who subscribe to the new DiGi Business Smart 70 and Dynamic 100 plan which are tailored to their specific needs.

Customers signing up the new DiGi Postpaid 1 Plan will pay only 13 seven per minute for calls to anyone on any network, anytime and anywhere in Malaysia and DiGi guarantees that they will see lower monthly phone bills as customers will enjoy zero access fees with the lowest commitment of RM70 per month.

DiGi Chief Executive Officer Morten Lundal said, "The success of the One Low Flat Rate for DiGi Prepaid customers convinced us that customers want best value, simplicity and rewards." Lundal added, "The new postpaid rate is our response to their needs. We believe it will set new standards for value and customer experience as well as change the postpaid landscape the way DiGi continues to shape the prepaid landscape."

### Oceaneering acquires Norwegian subsea designer

Oceaneering International, Inc. announced the acquisition of Ifokus Engineering AS (Ifokus), a Norwegian designer and manufacturer of specialty subsea products, including ROV tooling for about 20 million Euro. With expected annual revenues in 2007 of approximately 13 million Euro, Ifokus will increase Oceaneering's Subsea Products segment sales, Norway Post reported.

Located in Stavanger, Norway, Ifokus has a solid reputation for high quality subsea products. In addition to ROV tooling and interfaces, Ifokus product lines include hardware to perform fluid transfer and control, valve intervention, and hydrate remediation. Specific Ifokus products of note include leading-edge electric valve actuators and multifunction hot stabs.

T. Jay Collins, President and Chief Executive Officer was very pleased with the acquisition of Ifokus as it enhances its ability to supply specialty subsea products.

He added, "At a capital cost of approximately 20 million, we expect this acquisition to be marginally accretive to earnings over the remainder of this year. Longer term, we look forward to growing the business as we anticipate worldwide demand for subsea hardware to increase."



## There are plans to allow freer flow of labour

In an attempt to tackle the effects of an ageing population and a shrinking future labour force, the Swedish government on July 17 presented proposals aimed at making it easier to move to Sweden to work, dpa reported. Migration Minister Tobias Billstrom told reporters he had no estimate of how many people would be interested in applying for work permits, but said "key groups" at present included construction workers and health workers. Currently, work permits can be granted for up to 18 months but a parliamentary commission last year suggested increasing the period to 24 months. The new proposed system would allow foreign workers to stay up to four years if they had employment, Billstrom said. The proposal included allowing foreign workers, who could prove their qualifications, to seek a three-month visa at a Swedish embassy and then seek employment in Sweden. Employers would also be allowed to look for labour abroad. The proposal presented by Billstrom was to be debated by trade unions, employers and other interest groups. Compared to last year's proposal from a parliamentary inquiry headed by former Social Democratic cabinet member Lena Hjelm-Wallen, the trade unions would have less means of blocking applications. Billstrom stressed that the trade unions would still have an important role "in determining wages, collective agreements and insurance terms." Billstrom said the proposed system would follow legislation that specifies that positions should first be filled by workers in Sweden, and if that fails by workers from other European Union members or workers from the European Economic Area.

## Ericsson inks Vodafone deals in Germany and Portugal

Swedish telecommunications equipment maker Ericsson said on July 17 it has signed contracts to supply new generation Internet services to Vodafone Germany and Vodafone Portugal, dpa reported. Via Internet protocol multimedia subsystem services (IMS), users can access a common set of services and capabilities from any fixed or mobile device. The IMS-based services include "voice, text, pictures and video, or a combination of them," Ericsson said. The value of the contracts was not listed.

## Vattenfall boss gets the boot over nuclear incidents

The head of Vattenfall Europe Nuclear Energy (VENE) has been dismissed following incidents, including a fire, at two nuclear plants in Germany operated by the company last month, Vattenfall said on July 16, The Local reported. "The company has relieved Dr Bruno Thomauske of his duties," Vattenfall, a Swedish-owned firm, said in a statement. It added that the communications chief for VENE, Johannes Altmeyen, had resigned. Thomauske's departure follows problems at the Krummel and Brunsbüttel nuclear power plants in northern Germany in late June. German officials have accused the company of failing to report the full extent of a fire at the Krummel plant and neglecting for days to inform authorities of problems operators experienced at nearby Brunsbüttel after the plant had to be shut down because its capacity was overloaded. Vattenfall said it would assemble a team of experts to analyse operations in Germany and to suggest how they could be improved.

## Happy Birthday to Princess Victoria! She's 30!

Crown Princess Victoria of Sweden celebrated her 30th birthday on July 14 on a glorious summer day in the Swedish capital, dpa reported. The official celebrations for the heir to the Swedish throne began with a reception with select members of parliament and cabinet. Speaker Per Westerberg presented a silver lion while Prime Minister Fredrik Reinfeldt and his wife Filippa handed over a flat-screen television, on behalf of the cabinet, for use in Victoria's office. At noon a gun salute was fired from an island opposite the royal palace. Flanked by her parents, King Carl XVI Gustaf and Queen Silvia, the crown princess stepped out into the inner palace courtyard for a military tribute by the Swedish Armed Forces Orchestra and was also cheered by hundreds of well-wishers. The royal line-up included her siblings, Prince Carl Philip and Princess Madeleine, and Welsh-born Princess Lilian, widow to the king's uncle, Prince Bertil. In an interview, she expressed concern over climate change she said she had seen in her travels.

# Ford denies plans to sell Volvo, worries persist

Ford Motor Company, responding to reports that it's putting its Volvo unit up for sale, said it is not negotiating with anyone to sell the Swedish automaker, The Local reported on July 16.

The Sunday Times, citing unnamed sources in London, said the decision to sell Volvo, which is part of Ford's Premier Automotive Group, was made in the past two weeks, but that the timing of the sale had yet to be decided. Ford spokesman Tom Hoyt said in an interview on July 15 that the company wasn't commenting on speculation about Volvo's future. But later in the day, he issued a denial that the automaker was in talks to sell the unit. "To my knowledge, we are not in negotiations with anyone about the future of Volvo," Hoyt said.

When Ford last August, 2006 announced it was exploring the possible sale of its Aston Martin luxury sports car brand, the automaker left open the possibility that other Premier Automotive Group brands, including Volvo, could be sold.

Ford in December, 2006 finalised a USD 23.4 billion financing package to fuel its restructuring and cover expected losses in its automotive operations. It pledged domestic plants and other automotive assets as collateral. No bank had been appointed to handle the Volvo transaction, the newspapers said. The Sunday Times



The Concept Car Volvo XC90 is shown during the press days at the 77th Geneva International Motor Show in Switzerland, March 6, 2007

said the deal could be worth USD eight billion. Ford acquired Volvo from Sweden's Volvo AB in 1999 for USD 6.45 billion. Last month, Ford said it was reviewing its position on Premier Automotive Group brands Jaguar and Land Rover, fueling speculation the company was getting closer to selling the brands. Ford sold Aston Martin for USD 848 million in March, with some analysts saying the brand did not fit into Ford's long-term survival plan.

The possible sale of Volvo came as the company is struggling to return to profitability in the face of fierce competition from Asian automakers and developing tastes for more fuel-

efficient models in its key North American market. It is slashing thousands of jobs and plans to close plants to cut costs.

Ford posted a narrower loss of USD 282 million for the first quarter. The Premier Automotive Group reported a record pretax profit of USD 402 million for the quarter, due largely to Volvo. And Ford has been relying on Volvo, as it tries to globalise its engineering, design and manufacturing systems.

Ford has been wobbling from slow sales and obligations to its workers. Stories in The Wall Street Journal and New York Times quoted analysts and company sources as saying the sale was being considered.

But like an earlier round of similar stories in May, Ford dismissed the reports, dpa reported. "Ford is not in discussions with any companies in relation to selling Volvo," a company spokesman told the Journal. "As we've been saying since last year, we continue to assess all of our operations and are looking at our strategic options."

The Journal quoted unnamed company sources as saying the deliberations were in an early stage, and that the idea of selling the brand had a "50-50 chance of happening." Earlier this year, there were reports that BMW had flirted with buying a share in Volvo, but the signals had cooled down.

## Saab aviation profits soar in second quarter

Swedish aviation and defence group Saab said on July 13 its second-quarter profit soared by 45 percent, exceeding analysts' expectations, owing to strong sales despite a plunge in orders, The Local reported.

For the period April-June, the group posted a net profit of 438 million Swedish crowns (47.85 million Euro,) up from 301 million crowns a year earlier, a Saab statement said.

Sales totalled 5.935 billion

during the period, up by 15.35 percent from a year ago.

In the first six months of the year, sales reached 10.852 billion, exceeding analysts' forecasts of 10.629 billion.

In the second quarter, the group's operating profit rose by 55.9 percent to 630 million crowns, while operating margin climbed from 7.9 percent to 10.6 percent.

However, orders in the second quarter plunged by 74 per-

cent to 2.954 billion crowns from 11.431 billion crowns a year ago, and were almost halved during the six-month period to 8.345 billion crowns. The group attributed the drop to Pakistan's decision to reduce by 1.35 billion crowns an order for an airborne surveillance system.

"The first half of 2007 was a stable, forward-looking period for Saab," group Chief Executive Aake Svensson said.

"Order bookings remained satisfactory, sales increased and income was stable. During the second quarter, important acquisitions were complemented by future-oriented partnerships of major significance," he added.

For the rest of the year, the group said it expected growth in line with 2006 levels when the group posted a 12 percent rise in net profit to 1.347 billion crowns.

## No vacuum at Electrolux, company improves turnover

Higher raw material costs and delayed product launches impacted second-quarter earnings 2007 while turnover increased, Swedish home appliance maker Electrolux said on July 17, Deutsche-Presse-Agentur (dpa) reported.

Net sales were up 1.8 percent to 25.78 billion Swedish crowns (USD 3.87 billion) compared to 25.3 billion crowns in second quarter 2006. Operating

income increased nine percent to 921 million crowns for the quarter. Pre-tax income dropped from 783 million crowns to 752 million crowns.

Chief Executive Hans Straberg said in a statement that he was pleased with the group's operations in North America and Latin America, but was "disappointed with the result of major appliances in Europe in this quarter."

Electrolux expected raw material costs in the full-year would "rise by an estimated two billion crowns. This would amount to an eight billion crowns increase" in raw material costs since 2004, the CEO said. In recent years, the group has moved production from plants in countries like Germany and Sweden to Poland, and from the United States to Mexico. At the end of the year,

a cooker plant in Denmark was to be closed, impacting 150 employees. Restructuring costs in the second quarter were 31 million crowns.

In its outlook, the group expected demand for appliances to continue in Europe and slow down in North America. For full-year 2007, Electrolux said it was keeping its forecast of a somewhat higher operating income than in 2006.



# Stora Enso's pre-feasibility study to start for Russia mill

Finland-headquartered paper giant Stora Enso said in a statement on July 17 it had decided to launch a pre-feasibility study for a new pulp and paper mill complex in Nizhny Novgorod in Russia, News Room Finland reported, cited by Interfax. "The objective is to manufacture paper for Russian consumers from Russian wood - in Russia," the statement added. Stora Enso has already invested more than 300 million Euro in sawmills, packaging board mills and forest assets in Russia. The company will work closely with the Russian and Nizhny Novgorod authorities in order to secure a favorable investment terms for the project, it was reported.

If the preliminary technical



Stora Enso employee at the paper factory in Eilenburg, Saxony, checks the quality of paper used for newspaper production

and economic feasibility study is positive, the issue of building a

mill will be introduced to the board of the company. The con-

struction of the mill will cost about one billion Euro.

## SWITZERLAND

### Alcon to acquire WaveLight AG in a friendly takeover

Alcon Inc recently announced it intends to acquire WaveLight AG through a friendly takeover and that the parties have entered into a business combination agreement, Business Wire reported. Alcon will offer 10 Euro per share in cash for all issued WaveLight shares, it was reported. WaveLight's Executive Committee fully supports this transaction and will recommend acceptance of the offer to its shareholders, subject to review of the published tender offer document, it was reported. WaveLight develops, manufactures and markets innovative refractive laser and diagnostic systems, including the Allegretto laser system for refractive eye surgery.

### Roche beats Novartis in H1 profit

The Roche pharmaceutical and diagnostics group of Basel has achieved a better financial performance in the first half of the year than its cross-city rival Novartis, Swiss info reported on July 19. Roche announced recently that its net profit for the first six months was 5.86 billion Swiss francs (USD 4.88 billion), nearly a billion more than Novartis. In a surprise move, Roche also announced that Franz Humer would be stepping down as CEO at the shareholders' meeting next year to make way for Severin Schwan, currently head of diagnostics. The profit at Roche, which was up by 29 percent on the comparable period last year, was boosted by strong sales of its cancer drugs, which include Avastin and Herceptin, and by the flu drug Tamiflu. Contrary to Novartis, Roche does not see a slowdown in growth in its pharmaceuticals division in the second half of the year, it was reported. It confirmed its outlook for the full year, with double-digit sales growth for the group and the pharmaceuticals division expected. The Roche performance outstripped the market both in pharmaceuticals and diagnostics. Group sales were up by 15 percent to 22.83 billion francs, also beating market expectations. Sales at Novartis were slightly higher at 23.93 billion francs.

### Four agreements inked with Vietnam

Swiss Economics Minister Doris Leuthard recently signed four agreements with Hanoi aimed at trying to integrate Vietnam better into the global economy, Swiss info reported on July 16. The accords, which will cost Switzerland about nine million Swiss francs (USD 7.49 million) are also intended to make the Asian country more attractive for Swiss investors, it was reported. Leuthard signed one key agreement on the protection of intellectual property with the Vietnamese Minister of Science and Technology Hoang Van Phong on July 16. After working out legislation that is compatible with the World Trade Organization (WTO), the Swiss will support the Vietnamese in applying it effectively. There will also be help in developing intellectual property law in universities. Aid from the Swiss State Secretariat for the Economy for the programme, which stretches over three years, is budgeted at 1.2 million francs, it was reported. The Federal Institute of Intellectual Property and the Vietnamese authorities are to continue cooperation on the issue. Vietnam, as China, produces many copies of products, machines and technical systems. The most affected sectors are watch-making and pharmaceuticals. Switzerland is also going to help Vietnam to bring its trade issues up in the WTO in Geneva, as well as putting its WTO liberalisation obligations into practice. The aim of an accord on this, with costs of one million francs, aims to give expertise to Vietnamese government officials and diplomats. Leuthard said in the long run the aim was to have economic and free trade accords with countries like Vietnam. He added, however, that these needed time. A third project, costing 5.8 million francs and signed with the Vietnamese central bank, aims to develop the country's banking sector. It will help modernise the bank, introduce a programme of reforms and improve training. Leuthard signed a fourth agreement - on strengthening competition - with the Vietnamese trade minister Truong Dinh Tuyen. The aim of the 900,000 francs programme is to increase the powers of the local competition authorities and demonstrate the advantages of a competitive market.

### Kesko Q2 profit reaches 101 mln Euro

Finland's biggest retailer Kesko on July 18 posted a second quarter profit of 101 million Euro, up by about 10 percent from the year-ago period, News Room Finland reported. Net sales rose by about eight percent to 2.46 billion Euro, it was reported.

### Fortum Q2 pre-tax profit hits 301 mln Euro

Finnish utility Fortum on July 18 reported its second quarter pre-tax profit rising to 301 million Euro from 287 million in the year-ago period on sales of 959 million, up from 948 million in April-June last year, News Room Finland reported. "A strong hydrological situation combined with low carbon dioxide emission allowance prices led to clearly lower Nordic spot prices. Despite the challenging market conditions, Fortum improved its performance compared to last year," the company was quoted as saying.

### Ponsse Q2 profit reaches 8.1 mln Euro

Finnish felling equipment maker Ponsse on July 17 posted its second quarter profit at 8.1 million Euro. This is an increase from 6.6 million in the year-ago period, News Room Finland reported. Sales increased to 71.5 million Euro from 56.3 million in the first quarter of last year, it was reported.

### Coast Guard to renew fleet of patrol boats

Finland's Coast Guard is due to renew its fleet of patrol boats in the space of five to six years, Matti Mottonen, the commander of the Coast Guard, said, News Room Finland reported on July 16. Marine Alutech of Pernio is building a prototype that is scheduled to be finished soon. After sea trials in the autumn, an international call for tenders for about 20 boats is to be declared, it was reported. The Coast Guard has concluded that its PV-82 boats, built in the 1980s, do not meet today's requirements.

## Hiab inks deal to acquire US service company

Hiab recently signed an agreement to acquire a service company, Bay Equipment Repairs Inc in Tampa, Florida, US, Kaupalehti recently reported. Bay Equipment Repairs Inc is a long-term service partner of Hiab. It offers shop and mobile services in Florida to a variety of customers, most of which are Hiab customers.

Bay Equipment Repairs had sales of approximately one million Euro in 2006,

and it employs 13 persons. Bay Equipment Repairs will be integrated to Hiab's US service organisation and it further strengthens Hiab's service coverage in the important Florida market area, it was reported.

Hiab is the business area providing load handling solutions within Cargotec. Cargotec is the world's leading provider of cargo handling solutions. Its products are

used in the different stages of material flow in ships, ports, terminals, distribution centres and local transportation. Cargotec Corporation's brands, Hiab, Kalmar and MacGREGOR, are market leaders in their fields and well-known among customers all over the world, it was reported. Cargotec's net sales are 2.7 billion Euro. The company employs over 9,000 people and operates in close to 160 countries.

### Citycon's Baltic shopping centre finalised

Finnish company Citycon's shopping centre transaction was finalised on July 16, Kaupalehti reported. After closing of the deal, the company now owns three shopping centres in the Baltic countries: two in Estonia and one in Lithuania.

On June 7, Citycon announced the signing of an agreement to acquire the shopping centre Magistral, located in the Mustamäe district of Tallinn, for approximately 16.5 million Euro. Citycon is the market leader for the shopping centre business in Finland, where it owns a total of 20 shopping centres.

In Sweden, Citycon owns eight shopping centres and three in the Baltic countries. In addition to the shopping centres, Citycon owns 53 other retail properties, 46 in Finland and seven in Sweden, it was reported.

### Solteq to acquire its own subsidiaries in merger

The boards of directors of Solteq Plc, Tampereen Systeemitimi Oy and Fulmentum Oy have prepared a plan Tampereen Systeemitimi Oy and Fulmentum Oy to merge with their parent company Solteq, Kaupalehti reported on July 16. The merger plans entered into the Finnish trade register on July 13, and the planned registration date for the implementation of the mergers of is December 31, 2007, it was reported. The merger is primarily decided by the boards of directors of the companies involved. In case the shareholders of Solteq Plc representing minimum twentieth (five percent) of the company's shares insist, the matter is dealt by the extraordinary general meeting of shareholders. The shareholders were informed on the conditional treatment in extraordinary general meeting on July 13.



## Minister sells company shares after media report

Following a newspaper report on his holdings, Danish Transport Minister Flemming Hansen recently announced he would sell his personal shares in German companies Deutsche Post and Siemens, Deutsche Presse-Agentur (dpa) reported. "There should be no doubt about my independence in relation to these companies and I have instructed my financial advisor to sell the shares today," Hansen told the online edition of newspaper Jyllands-Posten. The newspaper had earlier reported that Hansen owned shares in the companies, and questioned if he did not face a conflict of interest. Siemens is a likely contender for an upcoming contract when Rail Net Denmark that operates Denmark's rail network and is planning to replace the railtrack signal system. Hansen owned shares worth one million crowns (USD 185,000) in Siemens, the newspaper said. His holdings in Deutsche Post were worth 128,000 crowns. That holding was also controversial since Denmark is planning to liberalise its postal services, and Deutsche Post may be one of the future players. To avoid conflict of interest, Hansen has earlier sold off holdings in Copenhagen Airports A/S that operates the Copenhagen airport and Danish conglomerate AP Moller Maersk, it was reported.

## Tanzania wins USD 500 mln in Danish grant for environment

Denmark has granted Tanzania USD 500 million for the next five years (2007-2012) in support of the country's sustainable environment programmes, Afriqen Ligne reported on July 17. Danish Ambassador to Tanzania, Bjarne Ssen, said in Dares Salaam on July 16 that the funds would focus on implementation of the country's Environmental Management Act, which includes urban environmental management and participatory forest management. Ssen said that with the new agreement between Tanzania and Denmark, cooperation on environmental issues which started in 1994 between the two countries would continue to be well managed. According to the ambassador, Denmark would channel its support through the Joint Assistance Strategy in contribution to sustainable development of Tanzania. "It is my sincere expectation that our support will assist Tanzania, not only in reducing poverty, but in its long term sustainable economic development," he was quoted as saying, adding: "In Denmark, we know that it can be expensive if we do not carefully consider the environmental impacts up front because it is cheaper to prevent than cure. Therefore, I have high expectations on the impact of this support to the environment sector" in Tanzania.

## Royal Copenhagen enters age of technology, comes online

The centuries-old manufacturing methods of porcelain of Royal Copenhagen's remains the same, but the company's marketing is moving into the future, as it has been experiencing a comeback in recent years, and it is now ready to move into the digital age, Copenhagen Post reported on July 17. Porcelain manufacturer Royal Copenhagen is in the process of systemising its global marketing by creating a more uniform communication within the company and a more culture-oriented sales scheme toward various markets across the globe, it was reported. A large part of that makeover includes creating a visually striking sales site to build up a loyal internet customer base. "We believe wholeheartedly in digital marketing," Royal Copenhagen Marketing Director Mai-Britt Tornhoj was quoted by Copenhagen Post as saying. Royal Copenhagen has managed to survive tough times, rebounding from the depths of a momentous deficit in 2002 to bring home profits of 18 million Danish crowns (2.4 million Euro) last year. Tornhoj was cited as saying that marketing to other cultures and targeting other countries' holidays and events is a key to the company's survival. In Denmark, Royal Copenhagen's celebrated blue and white plates generally hit their high selling season at Christmas time. But in Japan - the company's largest market, making up nearly 40 percent of total sales - the plates are given year-round to family members for important events, such as marriages or births. The new Internet strategy will allow customers in other countries to be able to buy those products that are most popular in the selected markets on the Internet as needed, it was reported.

# Kjaersgaard cleared over comments against Muslims

Leader of the populist Danish People's Party was recently cleared by a Danish court over remarks she made over members of the Islamic Society last year, Deutsche Presse-Agentur (dpa) reported. In her weekly newsletter, populist leader Pia Kjaersgaard called a group of imams and others based in Denmark "traitors" when they visited several countries in the Middle East in early 2006, it was reported. The visit took place in the wake of a Danish newspaper's publication in September 2005 of 12 controversial caricatures of the prophet Mohammed. The delegation from the Islamic Society of Denmark - that groups many Danish Muslims - was reported to have sought backing for protests against Denmark. However, it emerged that they also made misleading statements about Denmark and the newspaper that published the caricatures. Judge Birgit Skriver was cited as saying that the Islamic Society that asked



Pia Kjaersgaard, leader of the Danish People's Party, gives a thumb up on arrival at Christiansborg Palace, February 8, 2005

for damages of 30,000 Danish crowns (USD 5,500) had also used strong language during the controversy. The 12 caricatures triggered massive protests and a consumer boycott of Danish

products in the Muslim world in early 2006. Islamic Society spokesman Kasem Ahmad was cited by dpa as saying the ruling would make it "even more difficult" to establish a low-key pub-

lic debate about Muslims in Denmark. The populists provide parliamentary backing to Danish Prime Minister Anders Fogh Rasmussen's centre-right minority government.

## Denmark works to pay back "helpful" Iraqis

Some 200 Iraqi nationals were flown to Denmark, according to Danish defence forces. Included also were close family members of some two dozen interpreters who have helped Danish forces in southern Iraq.

A plane with the last group of 80 Iraqi nationals landed on July 20 at Copenhagen airport and were taken to an asylum centre where they would be allowed to apply for asylum, broadcaster DR later reported, cited by Deutsche Presse-Agentur (dpa).

The cases were to be tried individually, but since authorities were familiar with their backgrounds, the process would likely be faster than in ordinary asylum cases. Den-

mark agreed in June to accept the interpreters and their family members after they expressed fears over their security after the bulk of Danish forces leaves Iraq in August.

The group also included drivers and administrative personnel who have worked with the Danish forces based in southern Iraq. Some 30 people have said they did not want to remain in Denmark, but wanted to travel to countries in the Persian Gulf or Australia, it was reported. The Danish Foreign Ministry would try to assist them, ministry official Ib Petersen told Danish news agency Ritzau.

The first plane left Basra mid July. The flights were kept under wraps in order to

reduce the possible risk of attacks. Medical staff were deployed on one of the flights to tend to expectant mothers and passengers who were sick, the Danish defence forces said.

Denmark began preparations for its withdrawal in June after the Iraqi government said it was prepared to take charge of security. The some 400-strong Danish contingent was due to leave in three stages from August 1 with the last group leaving on August 18. However, Denmark would have some military presence in southern Iraq since it has agreed to deploy four helicopters and retain some 50 troops until January 2008.

## Italian company acquires Louis Poulsen for 167 mln Euro

The investment fund Polaris and the merchants Hanssen and Droob have sold 92.5 percent of their shares in Louis Poulsen Lighting A/S to the Italian lighting firm Targetti Sankey ApS, Copenhagen Capacity recently reported.

The selling price is 167 million Euro for 100 percent of the shares free from debt. This means that the shareholders have their original investment in Louis Poulsen Lighting A/S returned approxi-

mately seven times. In autumn 1999, Louis Poulsen was bought by the investment fund Polaris and the merchants Hanssen and Droob in a 50/50 joint venture. In 2005, Louis Poulsen's electric retail business was sold to Lemvig-Muller and more than 15 million Euro was invested in a new head office for Louis Poulsen Lighting, it was reported. Louis Poulsen Lighting turned over 110 million Euro in 2006 and had an operating profit of 10 million Euro.

Targetti Sankey is an Italian lighting group with a turnover of 175 million Euro. Targetti manufactures and markets high-end lighting equipment just as Louis Poulsen does.

The purchase of Louis Poulsen Lighting makes the Targetti group the third largest lighting group in Europe and provides a strong foundation for creating a leading international group within high-end lighting.

## National stadium to expand for two new arenas

Denmark's national stadium Parken is to be enlarged to make room for two heated arenas seating 15,000 and 20,000 spectators respectively, Copenhagen Capacity reported on July 16. Denmark's national stadium Parken will be divided into two halls in the future.

A roof is to be drawn in 20 minutes and

a thin wall will be lowered in the middle and air will be filled into it. In this way, two soundproof, heated arenas seating 15,000 and 20,000 spectators respectively will be created. The intention is that in two years it will be possible to play team handball, tennis and other kinds of sports. The construction work will be finished already at

the end of 2009 when an entirely new end tribune and an extra hall with room for 4,500 spectators will be finished. Chairman Flemming Ostergaard from Parken Sport and Entertainment did not reckon with any competition from any of the other large arenas presently on the drafting board, it was reported.



# UK's Imperial Tobacco to buy out Altadis

British company Imperial Tobacco announced on July 18 that it has agreed terms to acquire Franco-Spanish rival Altadis after increasing its cash offer to 50 Euro per share, Deutsche Presse-Agentur (dpa) reported.

The proposed offer values Altadis at 16.2 billion Euro. It tops Imperial Tobacco's previous bid in March of 47 Euro per share, which was rejected by the maker of Gauloises and Gitanes cigarettes.

The Altadis Board confirmed that it would recommend the offer to its shareholders, in the absence of a competing offer at a higher price.

"I am pleased to announce that the Altadis Board will recommend our proposed offer to its shareholders," Imperial Tobacco CEO Gareth Davis was quoted by dpa as saying in a statement, adding: "Imperial Tobacco and Altadis are a great strategic fit, which will consolidate our position as the world's fourth largest interna-



Boxes of cigarettes from Altadis

tional tobacco company ... This deal significantly enhances our operating platform and scale with an increased presence in profitable mature markets and

improved emerging market opportunities."

According to the company, the deal would give the combined operation a leading market position in Spain, comple-

menting its existing leadership position in Britain, and would strengthen its presence in other profitable western European markets including Germany, France and Italy.

## Aid for Hungarian energy investment approved by govt

Spain's Economy Ministry recently approved the request of Hungarian energy investment firm Genesis Energy for a subsidy to build a 145-million-Euro solar panel factory in Spain, Genesis recently announced in a stock exchange filing, Interfax reported.

"The Spanish Economy Ministry informed the Hungarian group's subsidiary Genesis Solar Espana on

Tuesday (July 17) that it will provide the plant with non-refundable investment aid of 5.64 million Euro," Genesis said in the statement.

The planned Spanish solar plant was recently granted a 14.7-million-Euro subsidy by the regional government of Andalusia, thus the total amount of aids pledged to Genesis by Spanish authorities add up to 20.31 million Euro, it

was reported. Genesis is planning to build three solar factories - one each in Hungary, Spain and Singapore - by 2010 and is looking to eventually provide four to eight percent of the global market for solar panels. The company is planning to up as much as nine billion forints to finance the investments by issuing new shares in August, Interfax reported. The firm was also

recently granted a two-billion-forint Hungarian state subsidy, as well as tax breaks for its planned 100-million-Euro Hungarian factory in Kornye, west of Budapest.

The factories will produce large, amorphous silicon-based solar panels using thin-film technology, which are considered cheaper and more efficient than other types of solar batteries.

## More tragedies at sea for illegals from Africa

On July 19, some 50 African would-be immigrants were feared to have drowned after their boat capsized off the Canary Island of Tenerife, Spanish officials were cited by Deutsche Presse-Agentur (dpa) as saying. Rescuers brought to safety 48 migrants, who said that between 100 and 105 people had traveled on the boat.

A surveillance plane spotted the boat, which was navigating amid waves five metres high, so rescue vessels were sent to bring the passengers to safety, explained Jose Segura, a government delegate in the Canary Islands. But as the rescue operation was about to begin, a wave hit the boat and its occupants fell into the Atlantic, it was reported.

Forty-eight people were rescued, but the rest were feared to

have drowned. Rescue and commercial vessels, aircraft and helicopters continued combing the area. The boat was believed to have set sail in Senegal or Mauritania. The survivors were reported in relatively good health.

About 10 immigrants, who were thought to be Algerians, were meanwhile detained near Lluçmajor on Majorca. Local politicians were cited as saying that a new route for illegal immigration passed from North Africa to the Balearic Islands, where six migrant boats have landed since September.

The main route from Africa to Spain currently leads from the West African coast to the Canary Islands, which received more than 30,000 migrants in 2006, dpa reported. Boats heading for the Canaries were now

leaving from further down south on the West African coast to avoid European Union patrols, with the longer journey increasing the risks migrants were taking, Segura observed. The trade union UGT called on the authorities to "activate all the necessary measures to avoid the death of even one more immigrant." Moreover, on July 18, some 16 people were feared dead when two refugee boats capsized offshore from Sicilian island of Lampedusa amid the uninterrupted stream of illegal immigrants trying to reach Italy, ANSA reported, cited by dpa.

In one incident, some 12 would-be immigrants were feared dead after their boat capsized while on its way to Italy, ANSA said. An Italian fishing boat rescued 14 shipwrecked people and found a body at sea

187 miles south of Lampedusa, in Libyan waters. Survivors spoke of 11 others still missing. The victims' nationality was not immediately known.

In a second incident, a naval vessel rescued 22 immigrants after their boat had overturned near Lampedusa. But the navy also recovered three dead bodies, while a fourth person was still missing. The news capped an intense day for Italy's coast guard officials, who spent most of it rescuing would-be immigrants or trying to intercept scores of overloaded boats.

In a separate development, a Tunisian fishing boat was reportedly hijacked by a group of about 20 immigrants who asked its captain to take them to Lampedusa. The fishing boat was then escorted by Italian coast guard vessels, reports said.

## Ibiza's beaches reopened to the public

Ibiza's beaches - closed over an oil spill recently - were reopened last week, Deutsche Presse-Agentur (dpa) reported. Talamanca and Ses Figueres beaches were now deemed safe for swimming. En Bossa beach had already been reopened on July 17. A few smaller beaches remained closed, but were also expected to lift the red flag soon. The freighter MS Don Pedro leaked about 50 tonnes of fuel into the sea after sinking on the week before last, damaging the tourism industry on the Mediterranean island. Officials were cited as saying that no more oil was leaking out of the wreck located at a depth of more than 40 metres. A Dutch company was to remove the remaining 100 tonnes of oil from the wreck, reports said.

## Plan inked with Mexico in fight against terrorism

The Spanish and the Mexican leaders recently signed a deal agreeing to cooperate in their fight against terrorism, organised crime and drug trafficking, reports said. Mexican President Felipe Calderon and Spanish Prime Minister Jose Luiz Rodriguez Zapatero agreed to improve information sharing, El Universal reported on July 17. In the past, Mexico extradited to Spain suspected members of the Basque separatist group ETA, which was blamed for the December 30 bombing at the Madrid airport that killed two people.



Picture dated June 10, 2003 shows former Argentinean Army officer Ricardo Miguel Cavallo in a Mexican prison. Nearly 13,000 people have been officially listed as missing or killed the dictatorship's crackdown on dissent, a campaign known as the "dirty war," during Argentina's military dictatorship (1976-1983)

## Argentina's Cavallo to stand trial in Spain

On July 18, Spain's Supreme Court ruled that the Spanish judiciary was competent to try former Argentine naval officer Ricardo Miguel Cavallo for human rights violations during Argentina's 1976-83 military rule, Deutsche Presse-Agentur (dpa) reported. Cavallo has been jailed in Spain since he was extradited by Mexico in 2003. The National Court had earlier shelved the case, arguing that Cavallo should first be tried in Argentina. The Supreme Court accepted an appeal against the National Court's decision, saying that Cavallo had not been charged with the same crimes in Spain as in Argentina, and that the Spanish judicial investigation was more advanced, dpa reported. Cavallo alias "Serpico" is suspected of involvement in the abduction and torture of more than 200 alleged opponents of Argentina's former military junta, which is blamed for up to 30,000 deaths. National Court judge Baltasar Garzon accuses Cavallo and dozens of other collaborators of the Argentine junta of crimes against humanity. The junta's victims included a number of Spanish citizens. Cavallo was extradited to Spain in June 2003, by Mexico, where he had been detained three years earlier. He now faces a prison sentence of up to 17,000 years, and will be the second former Argentine military officer to stand trial in Spain for crimes committed during the dictatorship.



## MALTA

## Illegal immigration discussed with Libya

Maltese Deputy Prime Minister and Justice Minister Tonio Borg met with Libyan Minister for European Relations Abdel Atti Ibrahim Al-Obeidi in Valletta recently where they agreed to further technical cooperation meetings to ease problems tied to illegal immigration, Malta Media news reported. Al-Obeidi spoke of cooperating to transfer persons between Malta and Libya when the Schengen is in place, adding that he will soon head to Italy, where discussion on how illegal immigration is affecting the three countries will continue. Both sides also discussed organised criminality and drugs. Issues such the need of enhanced cooperation between Maltese and Libyan Police were also stressed.

## Unions struggle with low productivity in shipyards

The General Workers Union (GWU) recently failed to address the problem of low productivity at Malta shipyards; and replacing that culture was the only way that the workers could ensure a better future for themselves, the shipyards management told Malta Media news. The management appealed to the union to join it in its efforts to bring about a culture change under which low productivity would no longer be considered as something not to be touched. It was only in this way that the workers could ensure a better future for themselves, it was reported. The management was replying to a news conference by the union. GWU said that the Malta shipyards will not be brought on its feet through the measures adopted by the management. It said the shipyards business plan provided for a capital expenditure of GBP 10 million over five years. This year, GBP 1.7 million would be spent and capital expenditure would continue because money has been voted for it. GWU Section Secretary Paul Bugeja was cited by the news source as saying that the union could not remain passive, especially when one considers the sacrifices workers were making. "We cannot remain silent when we know there is a way of saving the shipyards," he said, adding: "The GWU cannot accept certain statements that are being made, nor certain actions and measures that are not bearing any positive result. On the contrary, they are actually hindering the push towards viability."

## Malta gets A long-term rating from S&amp;P

Standard & Poor's Ratings Services said it has affirmed Malta's A long-term and A-1 short-term sovereign credit ratings with a stable outlook on continued fiscal consolidation, reads a press release. At the same time, the transfer and convertibility assessment on Malta was raised to AAA from AA, following the decision taken by EU finance ministers to approve Malta's application to join EMU. "The ratings on Malta reflect the government's achievement in reducing the general government deficit to within the Maastricht Treaty requirements for EMU entry, despite a period of economic stagnation earlier this decade," said Standard & Poor's credit analyst Ana Mates. "The ratings also factor in the strong political institutions that underpin Malta's progressive macroeconomic policy." The decision to approve Malta's EMU application means that Malta will accede to EMU in January 2008, shielding the sovereign from potential balance-of-payments pressures thereafter. This provides the ratings with further support. The ratings remain constrained, however, by Malta's small and open economy, which is vulnerable to external shocks, as well as by the sizable, although declining, public debt burden. Malta has the third-highest gross domestic product (GDP) per capita among the 2004 EU entrants, estimated at 17,300 Euro in 2007. The opening of the Maltese market to EU competition, however, has exposed certain weaknesses. Restructuring in traditional manufacturing sectors is underway and the government's effort to diversify into new services sectors should reduce Malta's reliance on the export-oriented tourism and electronics sectors. Nevertheless, this process will take time. Budgetary consolidation, which started in 2004, continued in 2006, with the general government deficit declining to 2.6 percent of GDP from 10 percent in 2003. The deficit is expected to be further reduced to about one percent of GDP by 2009. General government debt (including the state-guaranteed debt of Malta Freeport Corp. Ltd.) is expected to continue declining to about 61 percent of GDP by 2010, after peaking at 78 percent in 2004.



Portuguese Foreign Minister Luis Amado and his Egyptian counterpart Ahmed Abou el-Gheit (L) during their press conference at Necesidades Palace, Lisbon, Portugal, July 18, 2007. The agenda for a Middle East conference to take place this September is due to be discussed later this month, according to press reports

## Nobel Prize-winner predicts Portugal and Spain to unite

Nobel Prize-winning Portuguese author Jose Saramago's prediction that Portugal will unite with Spain has angered many people lately, local media reported recently, cited by Deutsche Presse-Agentur (dpa). The two countries would have "everything to gain" from a "territorial, administrative and structural integration," Saramago, 84, said in an interview with the daily

Diario de Noticias recently.

Portugal will become Spain's 18th semi-autonomous region, Saramago predicted, proposing that the new country be called Iberia. "It is easy to hate Portugal from abroad," former foreign minister Antonio Martins da Cruz was quoted as saying about Saramago, who lives on the Canary Island of Lanzarote with his Spanish wife.

It took more to defend the

interests of one's country, Martins da Cruz added.

Poet and Socialist Party founder Manuel Alegre said Saramago had won the 1998 Nobel Prize by writing in the Portuguese language "which is part of our soul and will never be integrated into Spain." Many Portuguese Internet users expressed similar feelings, and their Spanish counterparts were often not enthusiastic either.

The two countries forming the Iberian Peninsula "could merge for the sake of economic interest, but that issue has already been resolved thanks to the European Union," a man named Pedro wrote on a Spanish website. Many Portuguese resent what they perceive as the arrogance of bigger and wealthier Spain, where the media take little interest in Portuguese affairs, dpa reported.

## Sonaecom eyes new overseas opportunities

Sonaecom CEO Angelo Pauperio is mulling new opportunities overseas, but still focuses on growth via acquisitions in Portugal, Portugal Post recently reported. Sonaecom's acquisitions' shortlist includes Cogeco Cables Inc's Portuguese unit Cabovisao, and PT Multimedia SGPS the cable TV, fixed-line telephony and broadband operating company to be spun-off from the Portugal Telecom SGPS group before October, it was reported. According to anonymous sources, the company said that after purchasing Tele2's Portuguese residential unit and Oni's small business operation in June, the company's "larger targets were left for later." The priority is the Portuguese territory but "it is not the only one," said Pauperio during the interview. During its ultimately failed takeover bid for Portugal Telecom earlier this year, Sonaecom had announced that if the bid was successful it would acquire mobile operators in Eastern Europe.

## EDP has rights regarding Alqueva hydroelectric dam

The Portuguese government has recognised that EDP Energias de Portugal SA has "historical rights" regarding the Alqueva hydroelectric dam, a spokeswoman at the Portuguese Economy Ministry was quoted as saying, Portugal Post reported.

However, she added that a law approved by the Portuguese government does not award exclusivity to the Portuguese energy group. She said that EDIA, the state company in charge of the project, will now do "what it thinks is best" when it awards the exploration of the dam.

However, a source close to the matter said that the government's admission probably means that EDIA will award the exploration of the dam to EDP, Portugal Post reported.

The government approved a law giving EDP special rights and exclusivity in the concession for the dam, which is located in southern Portugal.

## PT Multimedia to increase revenues in telecom market

PT Multimedia SGPS CEO Zeinal Bava recently announced that the company is aiming to capture 20-25 percent of the total revenue generated by Portugal's telecoms operations, Portugal Post reported. Bava said PTM plans to start a pilot video-on-demand service this October, with the

service expected to be ramped up next year.

The CEO added that PT Multimedia is planning to enter the small business broadband market through joint ventures with IT companies, but did not provide a timeline for the expansion into this business.

PTM is also expected to launch wireless services and integrate them into a quadruple play service together with internet, IPTV, and fixed-line telephony. Bava noted that PTM's cable unit's valuation makes it one of the five largest cable operators in Europe.

Lisbon residents recently voted for a new mayor before the regular municipal elections are held in 2009 due to the fact that Antonio Carmona Rodrigues was forced to resign over corruption allegations in May, Deutsche Presse-Agentur (dpa) reported. Rodrigues had been elected as an independent candidate backed by the conservative Social Democratic Party (PSD), yet lost the party's support after police launched an investigation into allegations that the city hall had been involved in plans to grant illegal building permits to a construction company. Most of the Lisbon city councilors resigned over the scandal. Polls before the election pointed to Socialist candidate Antonio Costa as the favourite on July 15. Costa stepped down as interior minister in order to run for Lisbon mayor.



# Merkel optimistic about Eurofighter negotiations

Greek Prime Minister Costas Karamanlis and visiting German Chancellor Angela Merkel fielded questions after their meeting on July 20 on issues ranging from the draft European constitution to the Kosovo issue and bilateral ties, including defence contracts. Merkel said she is optimistic on the possible procurement by Greece of Eurofighter jets, a deal that is worth five billion Euro.

The Eurofighter Typhoon, previously called the Eurofighter 2000, is a multinational effort by European nations to produce a cutting edge fighter aircraft, co-produced by the UK, Germany, Spain and Italy.

The German chancellor said she was positive about the future of negotiations, adding that they are on a good way and that the procedure must be open and transparent. "This takes time but we are optimistic," Merkel said.

Following talks on with the German chancellor, Greece's prime minister said that Athens was finally eager to advance this file. In 2005, Greece and Germany signed a bilateral agreement for the procurement of 333 Leopard-1 and Leopard-2 tanks at a cost of 270 million Euro and has also placed orders



Greek Prime Minister Kostas Karamanlis welcomes German Chancellor Angela Merkel (L) upon her arrival at the Maximos Mansion in Athens, July 20, 2007. Angela Merkel came to Greece on a one-day visit

for four German submarines.

During her half-day visit, Merkel also insisted that the independence of the European Central Bank must be preserved, otherwise the acceptance of the Euro will be endan-

gered. "The independence of the ECB must be preserved," Merkel said, adding that "European Union members must discuss a common economic policy to deal with global competitiveness challenges."

Merkel was also due to hold talks with Greek President Karolos Papoulias.

Merkel was welcomed at Athens' International Airport by Foreign Minister Dora Bakoyianni.

## Draft law to better combat tax evasion, poverty

Greek Prime Minister Costas Karamanlis was briefed by Economy and Finance Minister George Alogoskoufis on July 18 over the ministry's intention, over the next few days, to table draft legislation aimed at better combating tax evasion in the country, ANA reported.

Speaking to reporters afterwards, Alogoskoufis said he briefed the Greek premier over a series of draft provisions to be unveiled by the ministry as part of the government's reform programme.

The minister said other draft legislation to be unveiled soon

will be a National Strategic Reference Framework (2007-2013) covering EU funds' management as well as a draft law aimed at combating poverty.

Alogoskoufis said the government's economic team aimed to adhere to this year's budget provisions while he noted that

budget execution was on track despite difficulties. The minister also hailed the news of a fall in the unemployment rate to 8.4 percent in April, the lowest levels in several years. He told reporters that unemployment stood at 10.6 percent in April 2004.

## Hellenic Petroleum, Edison form strategic alliance

Hellenic Petroleum, one of leading energy groups in Southeast Europe, announced on July 11 the signing of a Memorandum of Agreement (MOA) to create a strategic alliance with Edison, Italy's second largest electricity producer and gas distributor. The agreement is in line with Hellenic Petroleum's strategy to expand its power generation and trading portfolio in cooperation with partners, the company said in a press release.

According to the MOA, approved on July 11 by the boards of Hellenic Petroleum and Edison, the strategic alliance will take the form of a joint venture with the scope of: Creating in Greece a diversified power generation portfolio of approximately 1,500-2,000MW including combined cycle gas turbine power plants, one lignite or coal fired power plant, renewable energy sources, and other business opportunities that may become available on the Greek market; trading and marketing of electricity; potentially, participating in co-generation activities, expanding operations in the Balkans and pursuing joint opportunities in the supply and production of gas.

The joint venture shall include a special purpose vehicle (the Holdco). Hellenic Petroleum and Edison shall participate in the Holdco's share capital and management on an equal basis (50/50). The Holdco will control: one or more subsidiaries owning the Hellenic Petroleum assets and the Edison assets (the Genco(s)) and a subsidiary to carry out trading and marketing of electricity (Tradeco).

Third parties adding value to the strategic alliance could be considered by the JV parties as shareholders in the Genco(s).

Hellenic Petroleum will contribute into the JV all its power generation assets, including Thessaloniki Power, a company which owns a 390MW CCGT power plant in Thessaloniki, Greece.

Edison will contribute its 65 percent participation in Thisvi Power Generation Plant SA, a company which is in the process of building a 420MW CCGT power plant in Thisvi, Greece, as well as the project under development for the construction of a 600MW coal-fired power plant in Astakos, Greece. Finally, Edison will pay Hellenic Petroleum an amount of 55 million Euro, subject to further due diligence, and assume 50 percent of Thessaloniki Power's debt.

The transaction is subject to all relevant regulatory approvals. "We are making today a significant step towards the development of a material, diversified power business in Greece, together with a strong strategic partner, with whom we share a common vision," Hellenic Petroleum CEO Panos Cavoulacos was quoted as saying in the press release. "The high level of expertise and long-standing track record of Edison, with 11.4GW of installed capacity and 65.4TWh of power sales in 2006, together with the leading position of Hellenic Petroleum in the energy markets of Southeast Europe, ensure the JV's success in carrying out its ambitious business plan. I am sure this strategic alliance will prove beneficial to Greek electricity customers and the Greek power system."

In 2006, Hellenic Petroleum group net earnings amounted to 260 million Euro, on total revenues of 8.1 billion Euro. Its shares are listed on the Athens Exchange, and has a market capitalisation of about 3.7 billion Euro.

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## Sioufas, Hilmi Guler ink power deal

Greece and Turkey on July 19 signed a protocol for the exchange of electrical energy, with immediate application, marking the first step toward the two neighbouring countries' cooperation in this area. Greek Development Minister Dimitris Sioufas, who signed the protocol in Ankara with Turkey's Energy and Natural Resources Minister Mehmet Hilmi Guler, said this was "another important energy agreement between the two states, and another step for strengthening the two countries' ties." He stressed that the protocol opens up Turkish-Greek cooperation, to be fulfilled with the operation of the 400-KV line in January.

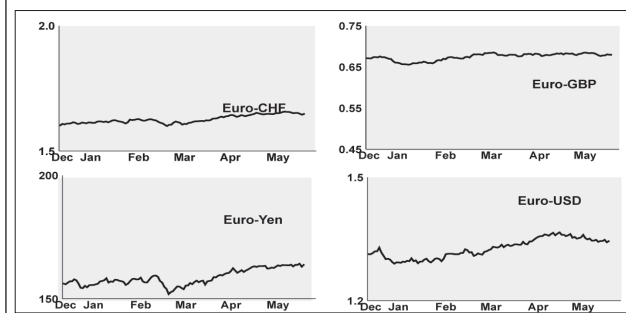
For his part, Hilmi Guler said: "The works for

the exchange of electricity with Greece are complete, all preparations are in place and today we are here to announce our cooperation. This is a line of 268 kilometres that will transmit 137 kilovolts to Greece from end-July or early August."

In January 2008, the works for the interconnection of Greek and Turkish power systems will be completed (through the 400-KV Philippi-Babaeski line). The two ministers also discussed issues concerning their states' energy cooperation and the completion of the Greek-Turkish natural gas pipeline, as well as preparations for the interstate agreement for the Turkey-Greece-Italy natural gas pipeline.

A day earlier, Karamanlis had successive meetings with the leadership of Greece's main local authority unions, the Central Union of Municipalities and Communities of Greece (KEDKE) and the Union of Prefecture Authorities of Greece (ENAE), in order to discuss legislation for reforming the administrative structure of local government in the country, as well as upcoming bills outlining incentives for voluntary mergers and metropolitan cooperation between municipalities. The meeting was also attended by Interior Minister Prokopis Pavlopoulos, who afterwards stressed that the new framework would not be imposed on municipalities.

## Euro Daily Fixing Rates



	USD	YEN	GBP	CHF
16/07/2007	1.394	169.77	0.684	1.674
17/07/2007	1.394	169.77	0.684	1.674
18/07/2007	1.394	170.00	0.680	1.674
19/07/2007	1.393	170.24	0.679	1.676
20/07/2007	1.397	170.60	0.682	1.677

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## PKO BP and NatWest join forces in the UK

PKO BP recently inked an agreement with British bank NatWest aimed at offering banking services to hundreds of thousands of Polish emigres working in the UK, Deutsche Presse-Agentur (dpa) reported. PKO BP President Rafal Juszczak was cited as saying his bank plans to open its first London branch in mid-October to offer mortgages to Poles living in the UK. The two banks will also offer free interbank cash transfers from NatWest to PKO BP on sums above GBP 100, and cash transfers from PKO BP to NatWest will be free of charge no matter the sum, he was cited as saying. NatWest belongs to the Royal Bank of Scotland (RBS) group serving some 10.5 million clients in the UK, while PKO BP has more than eight million clients in Poland.

## Kopex closes 5 year contract with KGHM

Kopex recently revealed it has sealed a five-year contract worth 135 million zloty with copper company KGHM to excavate a 20,000 metre sub-surface mining corridor, Interfax reported. "This contract is the continuation of a 50-million-zloty deal that Kopex clinched with KGHM two years ago ...," Tadeusz Soroka, chief executive officer at Kopex, was quoted as saying in a company release. By end-2007, Kopex expects to complete works with a value of 22.8 million zloty. Kopex is a Polish listed mining machinery maker.

## Multimedia Polska buys up 15 local networks

Multimedia Polska announced in a press release on July 18 that it will buy 15 local cable networks from an unnamed individual in a deal worth 40.9 million zloty, Interfax reported. The networks cover an area with 43,800 subscribers and have a total 23,400 subscribers to cable television, 5,600 subscribers to Internet access and some 5,300 subscribers to both services. Multimedia Polska will acquire the networks on August 1, it was reported. The company will pay for the assets in five installments, with the first installment at 30 percent of the price and the second at 50 percent, Interfax reported. Three other installments will be paid after the sales price is verified, based on the number of customers. The transaction will be financed using proceeds from the company's initial public offering (IPO) last year.

## Budimex-Dromex inks contract for new complex

Budimex-Dromex recently announced it has signed a 151.93-million-zloty contract to build a residential complex, the Interfax reported. "Budimex management ... signed a contract with Bouygues Immobilier Polska for the construction of a residential complex in Warsaw. The contract's net value is 151.93 million zloty." The construction of the complex in Warsaw is due to start this August and be concluded by April 2009. The value of the contract is over 10 percent of Budimex's equity. Bouygues Immobilier Polska, which is the Polish subsidiary of French real-estate developer Bouygues Construction, has existed since 1995. It recently won a tender to construct a section of the A4 motorway in Poland worth 72 million Euro. Budimex-Dromex had sales revenues of over three billion zloty in 2006 with net profits of 9.935 million zloty. Budimex-Dromex is a Polish real-estate developer.

## Agora to vote on CEO appointment this summer

Agora recently announced it will hold an extraordinary shareholders meeting on August 30 to vote on the appointment of Marek Sowa as the company's new chief executive, Interfax reported. "The current chief executive, Wanda Rapaczynska, indicated her intention to leave her position and give up her membership of the executive board as the preparations to the succession process have ended," the company was quoted as saying, adding: "Agora-Holding, the holder of all A-series shares, nominated Marek Sowa as a candidate to the executive board." Other major shareholders declared that if Sowa is appointed a board member, they will also vote to make him the company's new chief executive.

# 55% of Poles against US anti-ballistic missile base

But, Kaczynski shows support to Bush's plan on US visit

The majority of Poles, 55 percent, are in opposition against the installation of US anti-ballistic missile bases on their soil, Deutsche Presse-Agentur (dpa) reported. The US' plan is part of a missile shield aimed at warding off a potential terror attack by rogue states. The Warsaw-based independent CBOS pollsters found 28 percent of respondents said they supported the missile defense project, while 17 percent had no opinion. CBOS conducted the poll in early July on a random representative sample of 1,064 adult Poles. On a recent visit to the White House with US President George W. Bush, Polish President Lech Kaczynski was quoted as saying he installation of the US missile bases was "practically a foregone conclusion, adding: The shield will be, because for Poland it is a very good thing."

Polish media reported the US anti-missile silos may be located in the small Polish town of Redzikow, near Slupsk, north-central Poland. Residents who spoke to Poland's TVN 24 news channel were



*The abandoned airport in Debrzno, Pomeranian Voivodeship. The airport in Debrzno is the likely site where US anti-missile systems in Poland will be built. Washington plans to deploy 10 interceptor missiles in Poland and build a radar tracking station in the Czech Republic as part of its missile defense programme.*

overwhelmingly opposed to the possibility. Although the US insists the project is exclusively designed to ward off a possible terror attack from so-called rogue states such as North Korea or Iran, it has raised Russia's hackles.

Russian President Vladimir Putin, who sees the plan as a grave national security threat,

has used Cold War-era rhetoric, threatening to aim Russian missiles at Western Europe should the US push ahead with the plans to install the missile shield in Poland, dpa reported.

Moreover, Putin recently signed a decree suspending the Treaty on Conventional Armed Forces in Europe.

The CFE Treaty, signed in 1991 and updated in 1999, regulates the number of armed forces and combat vehicles, aircraft or tanks between NATO and the former Warsaw Pact states by a system of mutual information and inspection. Russia's decision was greeted by statements of regret and disappointment from European

## FDI reaches USD 746 mln in H1 2007

The Polish Information and Foreign Investment Agency (PAIiZ) announced on July 18 that Poland attracted 31 new foreign direct investment (FDI) projects in the first half of 2007, primarily in the electronics sector, Deutsche Presse-Agentur (dpa) reported. The value of the projects totaled USD 746 million and will create up to 10,500 jobs, according to the PAIiZ, which also notes this year's half-year FDI total is a 319 percent increase over 2006. "The increased influx of investment in the first half of 2007 is a snowball effect of other (foreign) investment in Poland," PAIiZ official Iwona Chojnowska-Haponik was quoted by dpa as saying, adding that recent major investments by LG and Sharp in flat-screen TV and monitor factories in Poland have attracted other smaller companies specialising in related production. The list of investors includes six companies from the US, five from Japan, three from China and three from Germany, predominantly in the electronics and research and development sectors, it was reported. PAIiZ President Pawel Wojciechowski recently said that attracting high tech FDI has become a top priority for Poland. The country has attracted a total of near USD 90 billion in FDI since shedding communism in 1989.

## Job visas to be available for Ukraine, Russia and Belarus

The Polish government has decided to allow citizens of non-EU members Ukraine, Russia and Belarus who hold Polish visas to take up jobs for a maximum of six months per year without work permits, according to a Polish Labour Ministry official cited by Deutsche Presse-Agentur (dpa). The new rule, was to come into effect on July 20, was tested over the last year when Poland opened up its agricultural sector to migrant workers from its three eastern neighbours. The programme attracted 1.5 million workers and ran smoothly, thus encouraging Poland to open up other sectors of the labour market to foreigners from the East, dpa reported.

With up to an estimated two million Poles having left the country for better jobs in Western Europe since Poland's entry into the EU in 2004, the country is experiencing a labour crunch at a time of economic boom. The new regulations are designed to ease foreigners' ability to enter the labour market legally and to help employers, especially in the agricultural and building sectors that have been hard hit by Poland's muscle drain. Several hundred thousand foreign workers are needed to fill the gap left by Polish emigres, according to the ministry.

## Early elections may be a reality

Polish Parliament Speaker Ludwik Dorn recently said he does not rule out early elections. This comes even though he will not submit the relevant motion to a vote before several key bills are passed, Interfax reported.

The self-dissolution motion, submitted by centre-right Civic Platform (PO), the main opposition, will likely be voted on at the first session in Octo-

ber after break, according to Dorn. Polish Prime Minister Jaroslaw Kaczynski recently said elections could be held in November, two years before the current parliamentary term runs out, if the current coalition fails. He has threatened to dissolve the country's Parliament since July 9, when he sacked Andrzej Lepper, the leader of a junior partner in the three-way government coalition, as deputy

prime minister and minister of agriculture amid allegations of corruption.

According to Dorn, bills that must be passed in this term include an act on the entry into the EU's passport-free Schengen zone, one on early retirement for teachers and another bill on tax rebates for construction-materials purchases.

Dorn also addressed the objections of the civic-rights

ombudsman, who pointed out the law regarding "lustration," or vetting for informers of Communist-era secret services, appears contradictory and could torpedo the legality of any elections. While the law requires all MPs to submit to lustration, the Constitutional Tribunal threw out the latest version of the lustration law, meaning there is no valid legal framework for the process.



# JV set up by Russian, Hungarian tech groups

**A**nanotechnology joint venture Nanovo Kft has been set up by Russian technology firms Nanotechnologia MDT and Angstrom-T with Hungary's Miskolc Holding. It will be based in north Hungary's Miskolc, to facilitate research and market possible future products in the field of nanotechnology, the companies announced on July 18, Interfax reported.

"When creating Nanovo, our aim was to utilise research results in practice," Nanovo Managing Director Ferenc Ponus was quoted as telling a press conference, adding: "We will also try to find investors to finance production." Under the joint venture, the founding companies will carry out nanotechnology research in Miskolc in cooperation with the local university, as well as local businesses.

Nanovo's staff will cooperate with a panel of experts to decide whether a certain nanotechnological research result can be marketed. If a future product seems viable, Nanovo will carry out market research, conduct feasibility studies, seek



Russian President Vladimir Putin (L) speaks with Hungarian Prime Minister Ferenc Gyurcsany during the opening ceremony of International festival of Finno-Ugric ethnic culture in Saransk, the capital of Moravia, Russia, July 19, 2007

out financing opportunities and then set up separate project firms for each product to be manufactured, ideally in the Miskolc region, which has suffered from high unemployment

rates in recent years, Interfax reported.

"We are planning to start one project firm annually, depending on the size of the project," Ponus was quoted by

the news agency as saying, adding: "If we manage to find a large multinational company interested in the particular technology, it could mean a lot of new local jobs."

## MOL intensely resisting OMV takeover

OMV CEO Wolfgang Ruttenstorfer announced on July 19 that the company has not given up its designs on MOL. "We will not give up, we are not under any time pressure," he told Austrian radio. He said he was still convinced that an alliance with MOL could increase energy security in Central Europe and increase performance of both companies in view of stronger international competition, Deutsche Presse-Agentur (dpa) reported.

Moreover, he criticised MOL's policy of buying back its own shares. OMV, being MOL's largest shareholder, questioned the shareholder value in MOL's policy of buying back its own shares, Ruttenstorfer said. On July 18, MOL announced in a stock exchange filing on that it had purchased

an additional 210,778 of its own shares during trading the day before, continuing a share buy-back programme that began in late June, Interfax reported.

As a result of the purchase, made at an average price of HUF 29,384 per share, MOL now directly holds 2.02 percent of its own shares, while the company also controls approximately another 33 percent of its own shares through various option and borrowing agreements, it was reported.

Hungarian law forbids publicly-owned companies such as MOL from owning more than 10 percent of its own shares, but MOL has got around this by lending shares to the OTP and MFK banks, which have close links to the energy firm's management. The OMV boss urged the Hungarian company

to enter discussions "objectively, not emotionally," and hoped that MOL would "come to see the advantages of this cooperation."

MOL has been fiercely resisting all attempts of a takeover by its Austrian competitor, also with the support of the Hungarian government. Hungary's leading energy firm, MOL has a market capitalisation of 11.6 billion Euro, compared to OMV's 12.8 billion Euro. Together they could control the majority of the regional market, dpa said.

Moreover, Hungarian newspapers reported on July 18 that MOL has expressed an interest in strengthening its positions on the Slovenian market, most likely through some sort of cooperation with 30 percent state-owned Slovenian oil

firm Petrol, according to Interfax. MOL is mulling expansion in Slovenia and is mainly interested in Slovenia's top oil company Petrol, Szabolcs I Ferencz, MOL spokesman was cited as saying recently. While acknowledging that Petrol is currently not for sale, Ferencz said that MOL has always been interested in acquisition opportunities in Slovenia. The Hungarian government is also working hard to avoid a takeover.

Hungarian Prime Minister Ferenc Gyurcsany recently called on the justice ministry to create a law preventing foreign companies under state control from gaining a controlling interest in strategic Hungarian companies, MTI news agency reported on July 18, cited by dpa.

## Matrai to invest 7 mln forints in excavator

Matrai Eromu announced in a statement on July 16 that it is planning to invest seven billion forints to acquire and install what would be the world's largest mining drag line excavator. The excavator would assist workers in removing layers of rock above lignite layers in the company's mines, Interfax reported.

The mining drag line will be constructed for 22 months and is expected to be put into operation at the company's mine in Bukkabrany in Northern Hungary in mid-2009.

The drag line, which weighs 2,000 tonnes, is expected to move up to 12 million cubic meters of dead ground a year, it was reported. Austrian Sandvik

Mining and Construction Materials Handling GmbH has won the right to deliver the drag line to Matrai as a result of a procurement process that started in May 2005, the statement said.

The lignite hauled in the company's mines near the Northern Hungarian towns of Bukkabrany and Visonta supply Matrai's 936-megawatt-capacity

power plant in Visonta. Matrai Eromu, which provides 14 percent of Hungary's electric energy needs with its 6,000 gigawatt hours annual production, is jointly owned by Germany's RWE and Energie Baden-Wurtemberg, with a minority stake held by Hungarian state-owned power company MVM, Interfax reported.

## Mavir plans to boost reserve capacity over heat wave

Mavir is planning to boost its reserve capacity by more than 500 megawatts above the mandatory amount to handle a jump in demand amid the extreme heat wave that hit the country this week, Hungarian state news agency MTI reported on July 18, cited by Interfax. The excessive use of air conditioners from the recent and upcoming hot temperatures is expected to boost electricity demand by 500-600 megawatts a day, the news agency said. Mavir will provide the extra 500-megawatt-reserve capacity from import and domestic resources, on top of the 1,330-megawatt-reserve requirements set by Europe-wide power grid association UCTE. The power grid operator said that it had already rescheduled the maintenance services of power plants, while it also rescheduled off-peak electricity service for households to balance out consumption periods. Mavir also asked consumers to only use high-capacity household appliances such as washing machines or dish washers in the morning or in the evening, in order to help maintain the safety of electricity supply.

## Construction sector output up 4.1% on year

Data from Hungary's Central Statistical Office (KSH) shows that the country's construction sector output rose by 4.1 percent year-on-year (y/y) in May 2007 according to unadjusted data, and increased 5.2 percent y/y in working-day adjusted data, as a slight drop in road and motorway building activity was offset by increasing building construction, Interfax reported. In the first five months of the year, construction output in Hungary was 1.9 percent higher than in the same period of the previous year, accelerating somewhat from 1.2 percent y/y growth in the first four months. According to seasonally- and working-day adjusted figures, construction output increased by 3.5 percent in May, compared to April. Within the total, the volume of building construction increased by 8.1 percent y/y in May and by 3.4 percent y/y in the first five months. At the same time, civil engineering works – a category dominated by road building and renovation – were down 0.6 percent y/y in May after an even bigger decline in April, and were virtually flat y/y in the January-May period, it was reported.

## Gross wages on the rise this year

Data from Hungary's Central Statistical Office (KSH) showed on July 18 that the country's gross wages in the first five months of the year were also up 7.4 percent year-on-year (y/y), the same as in the January-April period, Interfax reported. At the same time, net wages in Hungary were just 1.3 percent higher in May 2007 than a year earlier, at 111,100 forints, while in the first five months they showed 1.2 percent y/y growth to 112,300 forints. Slow growth in net wages compared to gross wage growth was the result of social security and health tax hikes in September last year and at the beginning of this year. Real wages – net wages adjusted for inflation – dropped by 6.6 percent y/y in May, a slightly steeper rate than in April, thanks to still-high inflation during the month. In the first five months of 2007 real wages fell 6.8 percent y/y. Private sector wages – which analysts have said will be a key factor when central bank rate-setters decide whether to cut rates next Monday – were up 11.2 percent y/y in gross terms in May, down a percentage point from April, but still above the year-to-date growth figure of 10.4 percent y/y, it was reported.

## Magyar Energia Csoport inaugurates wind turbine

Magyar Energia Csoport Kft inaugurated a 264-million-forint wind turbine in Northwest Hungary's Mecser on Friday, state news agency MTI reported, cited by Interfax. The project to build a 0.8 megawatt wind turbine received a 52.8-million-forint subsidy from the EU environmental support scheme KIOP in May 2007. The Enercon E48 wind turbine is expected to produce 1.3 gigawatt hours of electricity annually, which will be supplied to the local 20 kilovolt grid operated by utility E.ON Edasz. While the invested amount is expected to be recovered in nine years, the turbine – to be operated by Energia Csoport – is foreseen to produce electricity for 25 years, Interfax reported.



## E.ON, MUS plan 2-bln-Euro coal project

E.ON and Czech mining company Mostecká uhelná společnost (MUS) plan to jointly build a two-billion-Euro lignite coal-powered plant in the Czech Republic, the daily Mladá fronta Dnes reported on July 18, cited by dpa. The paper's website report cited E.ON General Manager Wulf Bernotat in saying that E.ON is to provide technology while MUS is to feed the plant its coal. The talks between the two companies should last several months, the report said. The planned power plant would become the first heavy-weight competitor on Czech soil to the Czech state-controlled power-producing giant CEZ, it was reported. Earlier talks between MUS and CEZ on a potential joint power plant had failed, the report said. The two Czech energy companies had further fallen out in June after MUS declined to seal a long-term coal delivery contract with its client CEZ.

## Salamon named OKD's new board director

NWR public relations representative Joe Cook recently announced that the company has appointed Miklos Salamon as a head of the company's board of directors effective as of September 1, Interfax reported. Dutch registered energy holding New World Resources (NWR) is the sole owner of the largest Czech coal miner OKD, and has been set up for the Prague, London initial public offering (IPO) this autumn. Salamon, born in Budapest, has more than 30 years experience in the mining and extracting industry, last time working for British-Australian BHP Billiton, mining and processing iron ore, diamonds, manganese, coal, copper and nickel. Salamon was among four managers participating on Bilton's IPO on the London bourse in 1997 and its following merger with BHP. Cook was cited as saying, NWR is a wholly-owned subsidiary of RPG Industries SE, a Cyprus-based investment company indirectly owned by Czech entrepreneur Zdenek Bakala, and European private equity group Crossroads Capital Investments.

## Retail sales under expectations, increase 6.3% y/y in May

Data from the Czech Republic's Statistical Office (CSU) showed a 6.3 percent year-on-year (y/y) growth in May's retail sales, compared to eight percent in April, slightly lower than market's expectation, Interfax reported. "The year-on-year increase was 7.1 percent or 6.3 percent not seasonally adjusted," CSU was quoted as saying, adding: "In May, seasonally adjusted sales excluding motor vehicles increased by 0.6 percent month-on-month (m/m) at constant prices." Analysts had expected a growth of 7.5 percent y/y. "May's retail sales dynamics was lower than our estimates and market consensus," Komerční bank analyst Jan Vejmelek was quoted as saying, adding: "Although the (figure) did not fulfill our expectations, we can say it is a very solid result, which cannot be called a disappointment." The biggest growth was by reported stores with household goods, other non-food goods and non-specialised stores with food, beverages and tobacco predominating, CSU said. Sales in hotels and restaurants grew by 0.3 percent m/m in May. In retail trade including the automotive segment, seasonally-adjusted sales rose by 0.8 percent m/m and non-seasonally adjusted sales grew by seven percent y/y, CSU added.

## Pre-EU accession state aid for banks endorsed

On July 18, the European Commission said it has decided that the state-aid guarantee measures and other measures in favor of the Czech banks Agrobanka Praha a.s. and GE Money Bank a.s. (former GE Capital Bank a.s.) are compatible with EU state aid rules and has closed its formal investigation procedure, Interfax reported. Ahead of Czech accession to the EU in May 2004, the Czech Republic notified the Commission a series of measures in favor of Agrobanka Praha, a.s. and GE Capital Bank, a.s. adopted by Czech authorities during 1996 to 1998 to assist the restructuring of Agrobanka Praha, a.s. and facilitate its sale to GE Capital Bank, it was reported. "As a result of the formal investigation proceedings, the Commission decided that the measures constitute state aid within the meaning of Article 87 (1) of the EC Treaty," the Commission said. It also said its decision concludes that Agrobanka was unable to recover without state intervention and that the spirit of the then applicable Commission state aid guidelines for rescuing and restructuring troubled firms were respected.

# 65% of Czechs against US radar base

A June opinion poll by the Public Opinion Research Centre (CVVM) released recently shows that sixty-five percent of Czechs oppose placing a radar base for the planned US missile shield on Czech soil, Deutsche Presse-Agentur (dpa) reported. Thirty percent of the 1,013 people polled agreed with hosting the US facility, while seven percent were undecided, the newest CVVM survey showed.

The number of opponents was up by four percent in June from 61 percent of those who rejected the base in a CVVM poll in May.

In April, 68 percent were against the base, according to CVVM. Since the beginning of 2007, the size of the opposing and supporting camps has oscillated, whereas the number of the undecided has been on a steady decline, CVVM pollster Jan Cervenka was cited by dpa as saying in a press release.

According to the poll, 74 percent of Czechs wished to decide the radar's fate in a referendum, while 20 percent opposed the idea. The remaining six percent were undecided.



An elderly couple is seen during a protest in Prague against a possible US missile defense radar base in Czech Republic, May 26, 2007

In spite of the public's wishes, the future of the US installation on Czech soil would likely be decided by Czech legislators early next year.

As the Czech Republic does not have a law on a gener-

al referendum, the public does not have the means to induce such votes.

However, Czech lawmakers can enable a one-time referendum on a specific issue by passing a bill that would permit it.

The senior ruling Civic Democratic Party, which supports the radar base and opposes a referendum on it, is ready to block any bills that would allow for a popular vote on the US facility, it was reported.

## Industrial producer prices grow 4.6% in June on year

Czech Statistical Office (CSU) data showed last week that industrial producer prices recorded year-on-year (y/y) growth of 4.6 percent in June - the biggest increase since April 2005 - with the 0.7 percent month-on-month (m/m) increase also above market expectations, Interfax reported. "Prices of industrial producers

rose by 4.6 percent y/y in June (compared to 4.1 percent y/y in May)," the CSU was quoted as saying, adding: "This is again the highest y/y increase since April 2005." Prices rose significantly in basic metals, fabricated metal products (up 8.7 percent y/y), electrical energy, gas, steam and water (up 7.2 percent y/y) and food products, beverages

and tobacco (up 3.4 percent y/y), the statistical office said, cited by Interfax.

"The growth in industrial producer prices (exceed) analysts' highest estimates, and so come as a big surprise," Komerční banka analyst Jan Vejmelek was quoted as saying. Prices in coke and refined petroleum products increased

by 3.7 percent, which is a considerable change compared to the previous month (up 0.5 percent in May), the CSU said, while also noting the significant price growth in other non-metallic mineral products (up 6.7 percent) - in particular for bricks, tiles and products used in the construction industry, up by 27.8 percent.

## New trend of high-class large residential buildings

There is a new trend among private developers on the Czech real-estate market to build high-class large-scale residential buildings to generate rental income rather than to sell them, Czech business daily Hospodarské noviny (HN) reported recently, cited by Interfax. So far, mainly Czech municipalities have been constructing residential housing for lease, the daily wrote. First of such luxury rental housing projects is a complex of 269 apartments in Prague's Albertov dis-

trict developed by CTR Group, with the first tenants due at the beginning of 2008. "We have decided to set up a new trend," CTR Group Sales Director David Riha was quoted as saying, adding that the firm's projects are aimed mainly at top managers from foreign companies stationed in the Czech Republic for a limited time. "At the first sight, there is a good choice of hotels in Prague and the offer of complete projects ready for sale is sufficient, but we will offer a compromise,"

Riha added.

The average rental price per square meter in Prague for the CTR Group project is 390-430 crowns per month, including furnishings, or about three times higher than commercial rents in the Prague center, while the economic return of this project stands at some 20 or 25 years, HN said. Another Czech developer Magnum Living is moving in the same direction and completing a 240-million-crown project, Anenské terasy, offering 61

apartments for rent in the center of Brno, the second largest Czech city, it was reported.

Residential developer Finep is mulling similar projects, HN reported, while others remained cool to the idea of rentals over sales, as demand for newly built apartments remains high. HN suggested that luxury rental projects may become more widely accepted in the next few years, as the booming mortgage market cools down due to higher interest rates.

Viadrus posted 617.5 million crowns in sales during the first half-year, Viadrus media representative Tomas Zelazko recently announced, Interfax reported. The company's exports during the first half of 2007 reached 426 million crowns, up five percent year-on-year (y/y), Zelazko was cited as saying. Viadrus exports to 40 countries, including Slovakia, Poland, Romania, Slovenia, Bulgaria, Lithuania, Hungary, Latvia and Algeria. The increase in exports was mainly due to growing sales in Romania, according to Zelazko. The KKCG financial group, owned by Czech tycoon Karel Komarek, administers assets exceeding 42 billion crowns and employs more than 7,000 people. Viadrus is a Czech heating equipment producer, and is part of ZDB Group controlled by Czech financial group KKCG.



# EU authorises 32 million Euro for Kia plant

On July 19, the European Commission confirmed it has authorised Slovakia's 32-million-Euro state investment incentive for South Korean car-maker Kia Motors Slovakia to expand its existing manufacturing plant in the town of Zilina, Central Slovakia, Interfax reported. "I am pleased to endorse aid for this important project, which will contribute to regional development and job creation in the Slovak Republic," EU Competition Commissioner Neelie Kroes was quoted as saying. The aid consists of a direct cash grant for an eligible investment cost of 216 million Euro. The Commission said it considers the aid to be compatible with the treaty state aid rules in view of its cohesion policy and in the conformity of the project with the conditions for regional aid to large investment projects, it was reported. The investment concerns the expansion of an existing facility for the production of passenger cars, for which state aid was approved by the Slovak State



The production line of Kia's Cee'd cars during the official opening of the first Kia Motors Corporation plant in Europe in Teplicka nad Vahom, near Zilina, Slovakia, April 24, 2007

Aid Office before the accession of Slovakia to the European Union in May 2004.

The new investment aims at an increase of the annual production capacity from 200,000 to 300,000 vehicles a year by 2010, as well as the production of a new car model. "As a general rule, the Commission does not favor awarding ad hoc

regional aid," it said, noting the project aims at creating 663 new jobs by the end of 2008. "However, in the present case, the Commission is satisfied that the positive contribution of the overall investment project to regional development far outweighs the potential distortive effects of the aid," it added, according to Interfax. The

Commission said the intensity of the ad hoc aid respects previously set regional aid ceilings applicable to the motor vehicle sector, pursuant to the Slovak regional aid map 2004-2006 (reduced to 30 percent of the applicable standard ceiling). Kia Motors Slovakia s.r.o., part of Hyundai Motors Corp, was established in 2004.

## Railway network operator fined 11 mln crowns

The Slovak Antitrust Office has confirmed a fine of 11.1 million Slovak crowns for railway network operator Železnice Slovenskej Republiky, Slovak Spectator reported on July 17. The rail company is being fined for abusing its dominant position from May 1, 2001 to December 31, 2001, the Antitrust Office wrote a press release on July 16. According the Antitrust Office, the railway operator violated the Law on Protection of Economic Competition because from May 1 to December 31, 2001, it did not create equal conditions on the cargo railway transport market. This concerned the transport market for bulk materials such as iron ore and coal for large customers on medium and long distance routes in Slovakia.

## VSK Mining to invest in reaching soapstone deposits

VSK Mining recently announced it will spend around 500 million Slovak crowns (15.1 million Euro) to cut out a 4,200-metre-long gallery to reach one of the world's largest deposits of soapstone near the village of Gemerska Poloma in the Kosice Region, the Slovak Spectator reported. According to the investor, its contractor Skanska BS, which began work in November 2006, has so far cut out 300 metres of the gallery, and hopes to complete the work in February 2009, it was reported. Geological research has revealed that the deposit contains millions of tonnes of pure soapstone - a raw material for the pharmaceutical, chemical, cosmetics and paper industries. Mining is expected to begin in three years, with dozens of new jobs created.

## D1 Bratislava-Kosice highway measures to start

Slovak Prime Minister Robert Fico announced recently after meeting with Minister of Transport, Posts, and Telecommunications Lubomir Vazny, that the government is planning to start implementing measures that will enable completing the D1 Bratislava-Kosice highway by 2010, HN online reported. Fico expects from transport ministry to take up the duties of supervisor at construction sites for all selected sections of high-

ways and dual-carriageways currently being built, it was reported.

This would mean a specific regime for area planning and construction proceedings. Fico is convinced that a draft bill could be drawn up in such a way as to become valid at the beginning of 2009. Funding of the construction of highways and dual-carriageways through private-public partnership projects should speed up the

process, he said. "It is necessary to build at reasonable prices, but at a significantly faster pace than to date," he was quoted as saying, adding that this requires not only money from the state budget and EU funds, but also a new form of financing through private-public partnership projects. The government's programme statement, approved in 2006, included the commitment to create conditions for construction and

opening for traffic of a hundred kilometers of highways and dual-carriageways. In the government's opinion, it is necessary to tighten these conditions and adopt all necessary measures to connect Bratislava and Kosice through a system of highways and dual-carriageways in 2010. Fico spoke out for significant acceleration of the currently slow pace of construction of highways and dual-carriageways.

## Tougher citizenship rules approved by Gasparovic

Slovak President Ivan Gasparovic has approved stricter rules for obtaining Slovak citizenship by signing the amendment to the Act on State Citizenship, Slovak Spectator reported on July 16. As of July 15, foreigners will only qualify for Slovak citizenship

after they have lived in the country for eight years, uninterrupted. Currently, the minimum stay is five uninterrupted years. Slovak Interior Minister Robert Kalinak explained that the proposed changes are mainly in reaction to the growing threat of organized

crime and international terrorism. The stricter rules will enable officials to investigate more carefully how much Slovak citizenship applicants have followed the Slovak legal system and adjusted to the Slovak cultural environment.

## Maastricht Criteria likely to be met

Slovakia can sustain the conditions necessary for meeting the Maastricht Criteria for adopting the Euro in January 2009 provided that it observes healthy economic policies, EU Economic and Monetary Affairs Commissioner Joaquin Almunia said in Bratislava on July 17. "Keeping prices stable is the role of politicians," Almunia was quoted as saying following talks with Slovak Finance Minister Jan Pociatek. Almunia said that he is unable to predict the outcome of the final assessment of Slovakia for adopting the Euro, which is due to take place in the spring of 2008. European institutions will constantly monitor the development of key economic indicators in Slovakia, which must continue to reduce the fiscal deficit, keep inflation in line with the Maastricht Criteria, and maintain a stable exchange rate for the Slovak crown, he said.

## Yazaki may invest big in car cables production

According to the economy ministry, Japanese company Yazaki may invest as much as 1.75 billion crowns by 2009 into expanding car cables production in Eastern Slovakia, Interfax reported. "The document has been made public for discussion, which will last until July 30," Dagmar Hlavata from the ministry's press department told Interfax recently, adding: "It could go to the government [for approval] in late August or early September." If the government recognises Yazaki's investment as significant and serving the public interest, the company could receive government aid in acquiring land for building new premises near Michalovce and for moving its operation from the leased spaces there it currently occupies, according to Hlavata. The plant's output is expected to rise to 17.7 billion crowns in the period 2008-2016, and production volume should reach 320,000 products a year, according to the Czech News Agency (CTK). In Michalovce, Yazaki currently produces cables for Ford, Daimler Chrysler and Jaguar passenger cars. It also exports its entire production, according to CTK.

## Slovak national becomes Commission's DG REGIO

On July 18, the European Commission announced the appointment of Slovak national Katarina Mathernova as Deputy Director-General of the Directorate-General for Regional Policy (DG REGIO), Interfax reported. "Mathernova will take forward the EU's cohesion policy, which aims to improve infrastructure, encourage innovation and entrepreneurship, and create more and better jobs through investment in human capital," the Commission said in a statement, adding: "She will be responsible for the three policy directorates and for coordinating relations with the Commission's other Directorates-General and with authorities in the member states and regions." Mathernova is currently a director in charge of the largest geographic directorate (REGIO.F), overseeing implementation of the European Regional Development Fund and the Cohesion Fund, with responsibility for an annual budget of more than 13 billion Euro, it was reported. A lawyer by training, Mathernova was chief institutional and policy coordinator in the office of the Slovak deputy prime minister from 1999 to 2002. In this role, she focused on macroeconomic stabilisation, strategies for business restructuring and privatisation, anti-corruption strategy, and improvement of the investment climate.

## Environmental protection act amendment inked

Slovak President Ivan Gasparovic signed an amendment on July 17 to the environmental protection law on forests. The amendment had been approved by the parliament on June 21, and will become effective as of September 1, 2007, Radio Slovakia International reported. It stipulates that cyclists and horse riders will only be able to use specially designated forest paths. Those who break the law will face fines of up to 150 Euro, it was reported. However, objections have been raised against the new law by Opposition SDKU-DS MPs Mikulas Dzurinda and Ivan Miklos, along with environmental organisations united under the umbrella of EkoForum. Protests against the amendment included a demonstration by around 300 cyclists, led by Dzurinda and Miklos, in front of the Presidential Palace earlier this month.



## ESTONIA

## Cargo traffic with Russia plunges in July

The Estonian cargo traffic to neighbouring Russia plunged dramatically in June. Traffic from Estonia to Russia fell one-fourth in June compared to year-on-year figures, Estonian railroad officials said on July 17, cited by Kommersant. Russia, however, was still continuing with its denial of the notion that it slapped sanctions on the Baltic country after April's row over a Soviet war memorial, it was reported. According to Russian officials, the trade declined due to maintenance works on the rail, but unofficial sources reportedly claimed that trade was halted following a personal instruction of Deputy Prime Minister Sergey Ivanov. The Estonian Transit Association stressed that Russia was applying hidden sanctions against the country. Estonia's railroad company Eesti Raudtee said cargo traffic to Russia went down 25.6 percent to 2.59 million tonnes, compared to last June's indicator. The May figure was 22.3 percent lower than last May. Estonia's Economy Minister Juhan Parts met Russian officials in St. Petersburg in mid-June and was assured that Russia was not planning any sanctions against his country. He earlier said transit of Russian cargo through Estonia slipped 40 percent in May against the same period last year, it was reported. Russian Railways cited repairs on railroad lines as the only reason for a halt in trade. The Russian railroad monopolist placed a cap on train service with Estonia in May citing the same repair reasons after a furious row between Moscow and Tallinn over the removal of a Soviet war memorial. Russian Railways said on July 17 repairs were still underway but did not specify when the works would be over. The Russian Transport Ministry said that it "has never put any restrictions on cargo turnover with Estonia," but added that "the matter is in the competence of private firms." Russian Railways noted that some exporters opted for other transit routes in "the current situation." However, Estonian media claimed that the railroad company was following instructions of Deputy Prime Minister Sergey Ivanov to punish Estonia for its intransigence. However, Russian firms denied reports that they were rerouting their businesses voluntarily, according to the news report. Transit payments are estimated to account for 20 to 25 percent of Estonia's gross domestic product (GDP). Around 65 percent of all transit cargos go through Russian Railways.

## Halonen, Ilves discuss bilateral relations and EU cooperation

Finnish President Tarja Halonen recently met her Estonian counterpart, Toomas Ilves, during a private visit to Estonia, where the two leaders discussed bilateral relations and cooperation within the European Union, local media reported, cited by News Room Finland. Maria Romantschuk, the Finnish president's spokeswoman, told the Finnish News Agency (STT) that the presidents had also discussed President Halonen's forthcoming attendance of a Finno-Ugric festival in Russia. Marko Mihkelson, the chairman of the Estonian Parliament's EU committee, had urged President Halonen and Hungarian Prime Minister Ferenc Gyurcsany not to attend the festival in order to show solidarity to Estonia. Russian President Vladimir Putin had not extended an invitation to Estonia. Romantschuk was cited as saying that Ilves had not joined Mihkelson's campaign.

## EU Council group finds borders meet Schengen requirements

A working group of the European Union Council recently concluded that Estonia's control of its overland borders meets the requirements of the Schengen Agreement, Interfax reported. The Estonian Interior Ministry told Interfax on July 18 that the group praised the changes in border security since September 2006, when the first inspection was conducted. "The rumors that Estonia's accession to the Schengen agreement would be put off due to the small number of personnel in the border service were groundless. We will have to increase the number of border guards on the eastern border and also concentrate on improving operations at ports and airports," Interior Ministry senior official Marek Helm was quoted as saying. He said that Estonia's preparedness for joining the Schengen agreement information system will be checked and the preparedness of Tallinn airport reviewed in September. In case of full compliance Estonia may join the Schengen zone on December 31, 2007.

## LITHUANIA

## Mazeikiu refinery sale plans troubled

Lithuania's decision to sell the Mazeikiu-Nafta refinery (formerly owned by YUKOS) to Polish PKN-Orlen was still tolling the refinery as the Russian side recently confirmed no immediate resolution was possible and the pipeline could be finally terminated, local media reported recently. The Lithuanian decision to back the Polish side resulted in retribution from Russia, including cutting off crude flows to the refinery.

The 300,000 barrel-per-day refinery was a prized asset, one that the Kremlin-controlled Rosneft dearly wanted to buy; and it almost succeeded. Last December, a fire at the refinery caused a months-long shut-down and millions of Euro in damage. That led PKN-Orlen to think twice about the purchase. But rather than yield to Rosneft, the Polish concern decided to go ahead with the deal. However, in July 2006, oil exports through a Russian-Lithuanian pipeline, which provides crude to the refinery, were halted after a leak was found in the Bryansk region. The leak was stopped, but the resulting inspection by Russia's Environmental Supervision



Lithuanian Prime Minister Gediminas Kirkilas and Polish Prime Minister Jaroslaw Kaczynski (R) during conclusion of contract in Vilnius, December 15, 2006

Authority resulted in an order demanding that Transneft, the Russian pipeline monopoly, lower the pressure in the line - a move that cut throughput from 31 million tonnes to 19 million tonnes.

Coincidentally, the differ-

ence of 12 million tonnes was exactly the volume designated for the Lithuanian refinery. Moreover, the environmental agency discovered over 8,000 defects in the pipeline, which Transneft promised to fix. But early June, Russian officials

announced that the Druzhba (which means "friendship") pipeline would not be repaired, meaning that all pipeline exports through Lithuania, which gets 90 percent of its oil from the Druzhba, would cease.

## Working group set up for new NPP construction

Lithuanian Prime Minister Gediminas Kirkilas recently signed a decree to set up a working group for talks on the construction of a new nuclear power plant, the governmental press service said on July 17. It was also announced that Kirkilas' aide, Saulius Specius, would head the group, ITAR-TASS reported. The working group would take part in talks and

consultations with energy companies of the partner-countries engaged in the construction of the new nuclear power plant in Lithuania, as well as Lithuanian power grids' linking to Polish and Swedish electric transmission lines, the press service said.

The working group would regularly inform the prime minister about the results of talks and consultations, the press ser-

vice said. The new nuclear power plant would be built on the site of the Ignalina nuclear power plant, which is scheduled to be closed in 2009 at the EU's safety request.

Jointly with Lithuania, taking part in the construction of the new nuclear power plant will be Latvia, Estonia and Poland. They plan to build the new power plant by 2015. This will

be the most expensive project in independent Lithuania. Its cost is estimated at 22 billion litas (6.4 billion Euro), which is equivalent to the yearly national budget of the country, it was reported. According to preliminary documents, Vilnius will hold 34-percent-stake in the project. The other participants in the project will receive 22-percent-stakes each.

## LATVIA

## Itera Latvija mulls USD 500 mln gas plant

Itera Latvija President Juris Savickis said in an interview published in Dienas Bizness that the company, along with Latvenergo, is considering building a gas power plant in Latvia together with Gazprom and Germany's E.ON Ruhrgas International AG, Interfax reported. The construction costs could amount to about USD 500 million. The shareholders of the new power plant might include either Latvenergo, Itera, Gazprom and E.ON, or Latvijas Gaze and Latvenergo, Savickis was cited as saying. The project has been discussed virtually with all potential participants. "It is safe to say that we have talked with all of them. But we don't have the impression that Gazprom wants to be involved in this project very much," Savickis was quoted as saying. The Russian gas giant said it would be prepared to provide necessary amounts of gas for the new plant, but the project should make profit for Gazprom to join it. "If someone possessing resources is involved in a business project, business there will surely prosper. Gazprom will not itself come and say that it wants to join something - they will have to be cajoled into it. It would be easier, if need be, to invite the Germans, because they have a lot of money, which they want to invest

somewhere, and they would be happy to take part in such a project," he was quoted by Interfax as saying. Asked when the project will be implemented, Savickis replied: "If we start working now, all documents will be ready in half a year, the design development will take another half year, and construction will take two years more." If Latvia decides to build a coal power plant to make up for the pending closure of the Ignalina nuclear power plant, Itera Latvija is prepared to build a gas power plant in Pskov. It was reported earlier that the Latvian Economy Ministry offered to build a coal power plant for providing the country with electricity following the Ignalina plant closure in 2009, which it considered more beneficial than a gas plant, because Latvijas Gaze is unlikely to provide it with the necessary amount of gas by 2010. Savickis said then that one of the disadvantages of a coal plant would be the need to buy extra hydrocarbon emission quotas. Itera Latvija's owners are Itera CIS, a company registered in the US (66 percent), and Denmark's Inter Energia Holding ApS (34 percent). Itera Latvija - a natural gas supplier to Latvia - holds a stake in Latvijas Gaze, which is also co-owned by Gazprom and E.ON.



# Gaddafi's son says medics' extradition soon

Libyan President's Moamer Gaddafi's son Saif was quoted as saying on July 20 that he expected the extradition of five Bulgarian nurses and a Palestinian doctor to Bulgaria in the next few days, Deutsche Presse-Agentur (dpa) reported. In a telephone interview published on July 20 in the pan-Arab al-Hayah newspaper, Gaddafi said he hoped negotiations would be over the upcoming visit of French President Nicolas Sarkozy to Libya.

Gaddafi, who heads the al-Gaddafi Development Foundation, which facilitated negotiations with the families of the children infected with HIV, said they would be deported after all details of the agreement were finalised. Gaddafi said he was waiting for "a settlement with the European Union, which will be very soon," adding: "The Europeans say there will be an agreement with Libya within the Barcelona Process, but we want a separate deal."

Gaddafi had already conducted talks with the EU Commissioner for External Relations Benita Ferrero-Waldner and German Foreign Minister Frank-Walter Steinmeier. "Europe has turned a legal case into a political one," he was quoted by dpa as saying, adding:



Zorka Anachkova, mother of jailed nurse Kristiana Valcheva, waits outside the Libyan Embassy in Sofia to hear news from Tripoli about her daughter, July 16, 2007

"The world shouldn't blame Libya for negotiating and bargaining." France, according to Gaddafi, played a major role, as Sarkozy offered in a telephone conversation with Moamer Gaddafi that France would equip the Libyan Benghazi hospital. Gaddafi's son said there were other "secret deals with European countries, which were being discussed." Previously, Libya commuted death

sentences on the six medics from to life imprisonment. More than 400 sets of parents of AIDS-infected Libyan children were awarded USD one million each in compensation.

The medics, who have been in prison since 1999, were accused of deliberately infecting 400 Libyan children with HIV/AIDS in a hospital in the port city of Benghazi, while independent experts said the

infections had been caused by bad hygiene.

On July 18, Bulgarian State Prosecutor Boris Velchev initiated legal proceedings to have the five nurses and Palestinian doctor, who has been granted Bulgarian citizenship, extradited to Bulgaria.

The process was being facilitated by a legal agreement between Sofia and Tripoli from 1984.

## Anti-organised crime chief resigns in protest

Vanyo Tanov, head of the Bulgarian police authority responsible for combatting organised crime, recently resigned in protest at a "political smokescreen" that had been erected to hide the country's shadow economy, Deutsche Presse-Agentur (dpa) reported. The authority had reached its limits in its fight against corruption in the "higher echelons of power," Tanov was quoted as saying by Bulgarian media.

The smuggling of goods covered by consumption tax laws was protected by politics, Tanov was cited by dpa as saying. Bulgarian Interior Minister Rumen Petkov accepted the resignation, but rejected Tanov's accusations.

In its June progress report on Bulgaria, the EU criticised the country's inefficient judiciary and its failure to adequately fight corruption.

## Claims that Parvanov worked with communist secret police

Officials in Sofia said on July 19 that Bulgarian President Georgi Parvanov collaborated with the secret police of the formerly communist country, Deutsche Presse-Agentur (dpa) reported. Parvanov, elected in late 2006, worked with the political section of the state security police from October 1989 to July 1993 under the codename "Goze," the committee responsible for secret service files were cited as saying. The president, who admitted his collaboration last year, wants to publish the files on the official presidential website. He claims that, as a historian and expert on FYROM, he edited a book for the secret police without knowing who it was for, dpa reported. A former vice-president of Bulgaria, Atanas Semerdzhiev (1990-1992), also collaborated with the military espionage service from 1953 to 1958, the committee was cited as saying.

## Austria's EVN acquires Plovdiv heating utility

Bulgaria's privatisation agency said it signed a deal to sell its 100-percent-stake in the Plovdiv heating utility to Austrian energy company EVN for 32.1 million Euro, Sofia News Agency reported. The contract was signed by the Executive Manager of Bulgaria's Privatisation Agency Todor Nikolov and a procurator from the Aus-

trian company. EVN cannot sell a majority stake in the company for the next three years, unless Bulgaria's sell-off authorities agree to it. Also it cannot cut the utility's payroll during that period.

The Austrian company must invest at least seven million levs in cogeneration equipment in order to produce both

heat and power, according to the terms of the deal.

However, the Austrian company did not specify the exact amount it plans to invest in the heating utility, which it secured after trumping the 25-million-Euro offer made by France's Dalkia, it was reported. EVN will evaluate by the end of the year the ways in

which it can integrate the heating utility with its existing power distribution business in the city, company officials said.

The company could offer the residents of Bulgaria's second biggest city heating and electricity in one package as early as next year, which could help slow the rising utility prices.

## Agreement with US against double taxation

Bulgarian Parliament ratified an agreement with the US on avoidance of double taxation and tax evasion prevention, Sofia News Agency reported. The document aims at enhancing the income and profit taxation regime to provide answers to the increased interest of US investors to Bulgaria and to promote the significantly improved investment climate of this country, the Council of Ministers said. The existing laws, to which the agreement will be applied, include the Personal Income Tax Act and the Corporate Income Tax Act. For the US, the agreement will refer to federal income taxes under the Internal Revenue Code, as well as to federal taxes on revenue from investment and foreign private foundations, it was reported.

## Plans to tighten economic, political ties with Ghana

Ghana and Bulgaria have agreed to deepen and strengthen cooperation in the fields of social, economic, political, cultural and scientific cooperation with the view of improving the standards of living of their peoples, All Africa reported. This was decided after a meeting between Bulgarian President Georgi Parvanov and Ghana's Foreign Minister Nana Akufo-Addo during his three-day official visit to Bulgaria. The two countries have agreed to cooperate not only at the bilateral level, but also at the multilateral level through various international forums such as the United Nations, the African Union and the European Union, among others, as a way of deepening and strengthening the long standing relations between the two countries. Commending Ghana's contribution towards peace processes on the African continent, Parvanov drew a parallel of that role by Ghana with those of Bulgaria's in the Western Balkans which had for the past decade remained a politically volatile region. Ghana's foreign minister congratulated Bulgaria on her accession to the European Union, and also invited Bulgarian investors to avail themselves of Ghana's stable political and investment-friendly environments to invest in various sectors of Ghana's economy.



A picture shows a fourth century BC golden mask near the village of Topolchene, some 240 kilometres from Sofia, Bulgaria, July 14, 2007. The mask was discovered from Bulgaria's most famous archaeologist Georgi Kitov in the Thracian tomb

## 4th century BC golden mask unearthed

A golden mask dating back to the 4th century BC has recently been unearthed by archaeologists in Bulgaria, Bulgarian media reported, cited by Deutsche Presse-Agentur (dpa). The find of the mask - believed to have belonged to a ruler during the period of the Thracian kingdom covering parts of what is today Bulgaria, Romania, Greece and Turkey - came on July 14 as archaeologists were working at a site near Sliven, 250 kilometres east of Sofia. The mask was one of a number of artifacts found in a wood-paneled grave at the site. It was the second such golden mask found in Bulgaria in recent years in a region now becoming known as the "valley of the Thracian kings," media reports said. The Thracians were mentioned in Homer's epic poem, the Iliad, which itself dates back to the 7th or 8th century BC.

Bulgarian Prime Minister Sergey Stanishev recently launched a round table conference entitled "Perspectives of the trade-economic relations between Bulgaria and Russia" at the University of National and World Economy in Sofia, Sofia News Agency reported. The round table was organised by Forum Bulgaria-Russia and the diplomatic institute with the foreign affairs ministry. The special guest at the event was President of the Russian Federation's Chamber of Commerce and Industry Yevgeny Primakov.



## LUKoil Romania to invest in new gas stations

LUKoil Romania is planning to build 50-60 new gas stations in Romania, the Romanian newspaper Ziarul Financiar reported, cited by Interfax. LUKoil has already invested USD 285 million in establishing a chain of 288 filling stations in Romania; and the company plans to spend USD 20 million on this project in 2007. LUKoil has also started managing 44 gas stations in the Czech Republic that it bought from ConocoPhillips at the end of 2006. LUKoil reached an agreement with ConocoPhillips on buying 376 filling stations in Europe in December 2006, including 156 in Belgium, 49 in Finland, 44 in the Czech Republic, 30 in Hungary, 83 in Poland and 14 in Slovakia for more than USD 400 million. LUKoil Romania is the Romanian subsidiary of Russia's LUKoil.

## Arco to offer expansion in services throughout country

Arco Real Estate plans to become the first operator in Romania to cover the whole country in terms of real estate operations, according to reporter.gr. Thus, the group intends to invest more than five million Euro in the expansion of the office network and in real estate consultants, the group announced, ACT Media News Agency reported on July 17. The company intends to hire approximately 100 real estate consultants by year-end, with their number to reach 300 in 2008, it was reported. Arco Real Estate Consulting opened, for the first time at local level, a branch in Timisoara (western Romania). Arco Real Estate Consulting is currently the only multinational real estate agency conducting local operations in Timisoara.

## 5-star hotel in Mamaia to go on the market

A five-star hotel at the Romanian Black Sea resort of Mamaia will be put on the block by Lebanese investor Chardel Maroun for 15 million Euro, Romanian national daily Ziarul Financiar reported, cited by Interfax. "I decided to sell the hotel because I want to invest in another one, much larger than this one," Maroun was quoted as saying, adding: "If I get 15 million Euro for it I will sell it." Palm Beach Hotel is one of three five-star hotels located in Mamaia, one of the most popular Black Sea destinations in Romania. The hotel has 68 rooms and is built on a 3,300-square-meter plot in the city centre. Romanian tourism analysts expect to see a 46 percent year-on-year increase in 2007 in the number of tourists visiting Romania's beaches in the summer season, it was reported. "Last year, 650,000 tourists visited the Romanian seaside, while we estimate this number to reach 950,000 in 2007," Dragos Raducan, secretary of the Romanian Tourism Federation, said earlier to Ziarul Financiar.

## Montero to expand business in upcoming years

Montero has budgeted its 2010 business at a level four times higher than the 100 million Euro estimated for this year due to new acquisitions on the distribution segment, Ziarul Financiar reported on July 18. "We will not be able to cope on the pharmaceuticals market if we remain at the same scale. We are currently in talks with two companies (for strategic alliances)," Montero General Manager Flavius Hadadea was quoted as saying. The company recently announced the takeover of Tamisa Trading from businessman Anthony Trevor Gibbs. Montero SA ended 2006 with a turnover worth 55 million Euro, while Tamisa Trading posted revenues worth 25 million Euro. Both companies are seeking to attain a consolidated turnover of 100 million Euro in 2007. Montero is also considering expanding outside Romania in the near future, in particular in Serbia and the Republic of Moldova. In addition, the company is considering acquiring mature businesses, as well as starting a business from scratch. As a result, Montero joins two other domestic players that announced plans to expand their businesses in the region, A&D Pharma and Relad. As far as other Montero group investments are concerned, Hadadea explained that they would entail developing logistics centres throughout the country, which are larger than the already existing ones. Montero also has an ongoing investment in Chitila.

# Tariceanu says Ford's Craiova takeover meets requirements

After his meeting with Ford President John Fleming, Romanian Prime Minister Calin Popescu Tariceanu announced that Ford Europe's technical offer to takeover the Daewoo Automobile plant in Craiova is consistent and meets the requirements formulated in the specifications, media reports said on July 17. During their discussion on July 16, Fleming and Ford representatives informed Tariceanu that the takeover would involve transforming the Craiova plant into one of the largest units of its kind from Europe. The annual expenditure of Ford in Romania is estimated at about one billion Euro.

"Through the privatisation of the company in Craiova we targeted the founding of a second pole of automobiles construction in Romania, after the one in Pitesti, which should supplementary contribute to the economic development and increase of the country," the Romania government website quoted Tariceanu as saying. "I very much want to conclude a partnership with Ford, a partnership in which both sides have benefits. Taking into account the impact such an investment



An undated file photo showing the assembly line of Daewoo at a European plant

will have on the Romanian economy, the government will extent its full support to our partners in case we reach such an understanding," Tariceanu said, adding: "The economic impact of Craiova privatisation will be more important than BCR privatisation. The sum for which the BCR privatisation was made was a record in the

Central and Southeast European region. Through the collateral economic effects this privatisation generates, Romania will become a genuine economic force on the European continent in the car making field."

He further explained that the technical offer of Ford stipulates an investment of 675 million Euro, an output of

300,000 cars per year and the increase of the number of jobs from 3,500 to 7,000 - 9,000. The technical offer has been appreciated by President of the Authority for Revaluation State's Archives (AVAS) Teodor Atanasiu as being "more generous" than the criteria requested in the book for tasks by the Romanian state.

## European Commission OKs 2007-2013 economic plan

The European Commission has approved the Operational Sectoral Plan on Boosting Economic Competitiveness for 2007-2013, that has been allotted a budget worth 3.011 billion Euro, out of which the European Union is to contribute 84.83 percent or 2.554 billion Euro, the Rompres news agency recently quoted the

Romanian Economy and Finance Ministry as saying. The ministry said that the Operational Sectoral Programme was worked out by taking into account the current situation of entrepreneurship and innovation, with stress being laid on the sectors related to the small and medium-sized companies, resources for research, devel-

opment and innovation, the information and communication technology, the energy efficiency and the environmental protection in the energy sector.

The programme's goal is to generate 5.5 percent annual average productivity rise by 2015, that should allow Romania to reach about 55 percent of the EU average, it was

reported. The programme is in charge with the increased economic competitiveness and the development of the knowledge-based economy, which is the first priority of the 2007-13 National Development Plan; it is also in charge with the increased long-term economic competitiveness, it was reported.

## OLAF finds Romania ahead in managing fraud

Romania is "four years ahead" in its preparedness to efficiently manage European money and prevent fraud, the head of the European Union's Anti-Fraud Office (OLAF) was cited as saying by media reports on July 17. OLAF Director General Franz-Hermann Bruner said: "The Romanians began to prepare long before Bulgaria and made

the proper distribution of European funds their priority even before their accession." However, Bruner also said that the Bulgarian authorities have to realise that "the problems will not disappear if they have been ignored long enough." He also added: "We hope for improvements as soon as possible." Bulgaria still has trouble with

ensuring clear and transparent public tender procedures, while "the system creates the impression that it works for certain people by leaving loopholes that can be used by those who know the procedures," he was quoted as saying.

OLAF is currently investigating 12 cases of fraud with money from the EU pre-acces-

sion funds as the country still has not started to make use of the over 11 billion Euro made available to it in the first years after accession. In February, police arrested five Bulgarians, two Germans and two Swiss for siphoning off some 7.8 million Euro from the SAPARD Programme for rural development, it was reported.

## Acvatot mulls acquisition of Bucharest-based firm

Acvatot intends to expand next year by acquiring a Bucharest-based construction firm, with an annual business worth around five million Euro and approximately 200 employees, Ziarul Financiar reported on July 18. "The company's organic develop-

ment will not allow us to gain a more than 10 percent growth over the next few years, which is why next year we intend to acquire a local construction company that carries out similar activities, such as the rehabilitation of heating systems," said Franois

Debergh, administrator of Acvatot. The company posted a 19 million Euro turnover last year, up by around 50 percent against the level in 2005, it was reported. The biggest issue that the company is facing is the shortage of skilled workers.



# Yatsenyuk sees Ukraine-EU summit on Sept. 14 as planned

The Ukraine-EU summit will take place on September 14 in Kiev, as earlier scheduled, Ukrainian Foreign Minister Arseny Yatsenyuk told journalists on July 17 after a working visit to Brussels, where he met with EU High Representative for the Common Foreign and Security Policy Javier Solana, European Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner and European Commissioner for Trade Peter Mandelson.

The political crisis in Ukraine did not impact Kiev's relations with the European Union, Yatsenyuk said. "An important message I am bringing to Ukraine is that the summit will take place, and it will take place in September. Thus, nothing is threatening Ukrainian-EU relations," Yatsenyuk said.

The minister also confirmed that a report on progress at talks on a new Ukrainian-EU basic agreement will be presented at the summit. "I hope 2008 will be the year of signing a new basic agreement," he said.

Yatsenyuk also said that it is necessary that early parliamentary elections in Ukraine are held in line with democratic standards.

"Democratic and transparent elections are a clear sign that Ukraine is a developing society that can integrate into Europe. Thus, it is absolutely



Ukrainian Foreign Minister Arseny Yatsenyuk meets with European Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner in Brussels, July 17, 2007

clear that the more democratic and transparent the elections are, the more progress we will achieve. This will be a test for Ukraine's political system, whether the country is ready to enter Europe," Yatsenyuk said.

Solana underlined the importance of a free and fair poll. The elections should lead to a stable government able to implement important political and economic reforms. As regards international and regional issues, Solana and Yatsenyuk exchanged views on the efforts to solve the Transdnestria conflict in Moldova,

Kosovo and the current state of play concerning the Conventional Forces in Europe (CFE) Treaty.

Following his meeting with Yatsenyuk, Mendelson said is confident that Ukraine's WTO accession will open new opportunities in bilateral relations between Kiev and Brussels. Europe is looking forward to Ukraine's accession to the WTO because it opens doors for other options in bilateral relations, he said in Brussels.

Mendelson said Ukraine's membership in the WTO is an matter for the near-term. As

EU commissioner he has worked closely enough with the government of Ukraine to be sure that the WTO and Ukraine would soon reach agreement on this issue and Ukraine would join the WTO soon, he said.

In response to a question, Mendelson said he was unaware of any link between Ukraine's WTO accession and Russia's.

Yatsenyuk said that Russia has its own path to WTO entry, just as Ukraine does. "We should not do anything in common with Russia in the sense of any synchronization," he said.



Ivan Pliushch, secretary general of Ukraine's National Security Council, in Kiev

## Kiev welcomes ENP model, wants more

Ukraine on the whole welcomes the European Neighbourhood Policy (ENP) as an EU's effort to develop a behaviour model with the countries outside the enlargement process. "We also support the EU's intention to strengthen stability, security and welfare of its neighbours by encouraging their more active economic cooperation," Ivan Pliushch, secretary general of Ukraine's National Security Council, said in materials released to European journalists in Kiev recently. In this respect, the ENP from the moment of its establishment has played a certain role in being an impetus towards the development of relations and new cooperation perspectives and towards the successive integration into the EU internal market, in particular.

"At the same time the key provisions of the ENP and its renewal proposals are at odds with Ukraine's clearcut EU integration policy and, therefore, do not respond to our country's state interests. Ukraine does not recognise any alternative to membership formats of long-term relations with the EU. The same applies to the long-term perspective of the ENP, which rather than offer a membership guarantee is an actual alternative to the enlargement process," Pliushch said. Likewise the ENP does not envisage the discrepancies between the European and the non-European partner-states particularly their final goals and the EU-relations perspectives. "Ukraine cannot accept the fact that the ENP should integrate the states with not only different geographic and geo-political positions but also with dissimilar socio-economic, technological, cultural and historical backgrounds," Pliushch said. Moreover, most of the relation-strengthening tools of the renewed ENP have already been realised in the course of the EU-Ukraine cooperation. It should be pointed out that Ukraine has a pragmatic attitude towards the principles and the mechanisms of the ENP. Some of them, like the ones that infer the participation in the work of certain EC institutions and thematic programmes can be of interest to the country. At the same time the key priority for the Ukrainian party at present is to ensure the successful fulfilment of the EU-Ukraine Action Plan alongside with the completion of the negotiations on a new Enhanced Agreement. The key principle of the new agreement spreads an added value in all the directions of the bilateral relations and in trade and economic sectors, in particular. It primarily concerns the formation of an enhanced EU-Ukraine free-trade zone and the introduction of the so-called three freedoms—the free movement of capital, trade and labour. It is the consecutive approximation of Ukrainian legislation to the EU legislation in the priority spheres for the parties that should be made a key element of the Free-trade zone alongside with the liberalisation of boarder taxes. Referred to is industrial, agricultural and service trade and the simplification of trade procedures, enterprise establishment routines and state purchase. "The ENP as a compromise cannot to a full extend meet the expectations of neither the neighbour states nor the EU. To Ukraine in its present state it (the ENP) does not infer any membership perspectives and to the EU it does not give the answers to all the concerns that spring up along its borders," Pliushch said. "In our opinion the further reform of the ENP should concentrate on the EU's development of a separate mechanism for the neighbour states that have announced their intention to integrate into the EU. That mechanism should consider the peculiarities of development and the dynamics of the EU relations for each individual candidate. Regarding Ukraine it should ensure the closest possible relations with the EU," the secretary general said. "It is not the issue of the exact time of accession, the year and the day that Ukraine is concerned about. When we speak about integration, we speak not only about the fact of Ukraine's joining the EU. At present we want to saturate our agenda with the concrete steps, among which would be the conclusion of the new enhanced agreement and the forming of a free-trade zone," he said.

## Ukratomprom declassifies data on uranium deposits

Ukraine has completed the declassification of data on nine uranium deposits, which will make it possible to raise foreign investment for their development and increase uranium production, the head of state company Ukratomprom, Andrei Derkach, said at a press conference on July 19, cited by Interfax. "Finally we will be able to provide

our partners with real figures on the potential for development of these assets," he said. The declassification took three months. Companies from France, the United States, Canada, South Korea and Russia are interested in developing uranium deposits in Ukraine, Derkach said.

The only company now mining urani-

um in the country is the Eastern Mining & Enrichment Plant in the Dnipropetrovsk region. Ukraine's nuclear power plants require about 2,400 tonnes of uranium per year, but Eastern Mining produces only about 800 tonnes. Ukratomprom consolidates the country's nuclear power industry enterprises, including Eastern Mining.

## Communications market grows 21% in H1

Ukrainian communications companies increased sales of communications services by 21 percent year-on-year to 18.32 billion hryvnias in the first half of 2007, the State Statistics Committee reported, cited by Interfax. Services to households totalled 7.1 billion hryvnias. Revenue from mobile

phone services grew 32.1 percent to 11.23 billion hryvnias; revenue from domestic long-distance and international telephone services rose 3.7 percent to 2.84 billion hryvnias; revenue from local phone services in urban areas were down 1.6 percent to 1.789 billion hryvnias while services in rural areas

grew 23.8 percent to 123.86 million hryvnias.

Revenue from computer communications services increased 20.7 percent to 745.23 million hryvnias, with revenue from Internet services totalling 624.13 million hryvnias. Revenue from postal services rose 3.5 percent to 676.22 million hryvnias.

## Committee clears way for Sberbank to buy NRB Bank

Ukraine's Anti-Monopoly Committee has given its permission for Sberbank of Russia to buy Kiev-based NRB Bank, Vyacheslav Yutkin, president of NRB Bank, said at a July 17 press conference in Kiev. "We received permission from Ukraine's Anti-

Monopoly Committee today for this deal," he said. The transaction could be completed at the end of November or early December, Interfax quoted him as saying.

NRB shareholders decided at an annual meeting on July 17 to transform the finan-

cial institution into an open joint stock company from a closed joint stock company, Yutkin said. Shareholders also decided to increase the bank's charter capital by 2.020 billion hryvnias, or by USD 400 million, by issuing additional shares.



## Language status up to ordinary citizens

Russian President Vladimir Putin believes that any decision to designate one language or another as an official language must be based exclusively on the interests of ordinary citizens. "As for the status [of a language], this requires a creative approach. There can be no political barriers here," Putin said during a meeting with members of the International Consultative Committee and the Association of Finno-Ugric Peoples in Saransk on July 19. "In matters of language status, we should not create a situation similar to the one existing in Europe. In Russia, it will be much worse and will lead to chaos when ordinary citizens have no access to document flows and thus are unable to communicate with state power structures," Putin said.

## Ingushetia situation under control

Ingush law enforcement agencies are in total control of the situation in the republic, Suleiman Vagapov, presidential deputy envoy to the South Federal District, told Interfax on July 19. "I have just held a session with heads of Ingushetia's law enforcement services. The situation is completely under their control. Some progress has been made in investigations into the murder of a teacher and her two children in the village of Ordzhonikidzevskaya, the blast at their funeral and the wounding of a serviceman in Karabulak," he said. "We expect all the inquiries to produce positive results," Vagapov said.

## Iran should prove civilian nature of nuclear programme

Russian Foreign Minister Sergei Lavrov has called on Iran to provide evidence that would prove its nuclear programme is pursuing civilian purposes. "The ultimate goal is to revive confidence in the exclusively peaceful nature of the Iranian nuclear program," Lavrov said in an interview with the Kuwaiti media. Such steps taken by the authorities in Tehran would allow the international community to vigorously develop cooperation with Iran, the minister said. "As a result, Iran will be able to fully exercise its right to civilian nuclear technology," he said. Progress has also been made in contacts with the International Atomic Energy Agency, Lavrov said. "The priority task today is to avoid provoking any disruption in contacts between Iran and the IAEA and to help the agency achieve definite results," the minister said. Russia has always called for resolving the Iranian nuclear problem through political methods, he said.

## Lavrov stresses Moscow's opposition to isolating Hamas

Moscow believes that isolating the Palestinian movement Hamas is counterproductive, Russian Foreign Minister Sergei Lavrov said. "In our view, boycotting or attempting to exclude it from the political process in the Palestinian Authority is counterproductive and will not bring good results," he said in an interview with the Kuwaiti media, which was posted on the Russian Foreign Ministry's website on July 19. "Whatever you may think about it, Hamas remains an influential political force, which has a majority in the parliament," he said. "One of the options proposed by Mahmoud Abbas (President of the Palestinian National Authority) is to call early elections," Lavrov said. As for a possible deployment of international peacekeeping forces in Palestine, Lavrov said Moscow has many questions about this idea.

## Putin appoints Sobolev acting security council secretary

Russian President Vladimir Putin has appointed Valentin Sobolev acting Security Council secretary. With another decree he accepted the resignation of Security Council Secretary Igor Ivanov. Previously Sobolev was deputy secretary of the Security Council. Ivanov's plans to resign his post emerged in the first days of July. "Several months ago Ivanov raised the question of his resignation and two weeks ago he submitted it," a Security Council source told Interfax. Sobolev was born on March 11, 1947 in the village of Gudrilum in Turkmenistan, in 1969 graduated from the Moscow Construction Engineering College and in 1974 the Higher School of the KGB.

# Putin, Halonen discuss Finno-Ugric issues, bilateral ties

Russian President Vladimir Putin met with his Finnish counterpart Tarja Halonen in Saransk on July 19. "I am very happy to greet you, this time in Mordovia. As we have agreed, we will take part in an event that has long been planned and is intended to support Finno-Ugric culture and promote its development," Interfax quoted Putin as saying.

Today's meeting will also offer an opportunity to discuss bilateral relations, he said.

"It was interesting for me to come here. I was looking forward to this trip. As you know, Mr. President, I am strongly interested in all issues related to the Finno-Ugric peoples," the Finnish president said.

Russia is a multicultural and multiethnic country, she said. "The Finno-Ugric peoples are a part of this family of various ethnicities. I am very pleased that we can jointly take delight in the abundance of cul-



Russian President Vladimir Putin listens to Finnish President Tarja Halonen (L) during the opening ceremony of International festival of Finno-Ugric ethnic culture in Saransk, the capital of Mordovia, Russia, July 19, 2007

tures that exist there," Halonen said.

Khanty-Mansiisk in Russia is to host a world congress of

the Finno-Ugric peoples next year, she said. Addressing Putin's proposal to discuss bilateral relations, Halonen

said "we always have plenty of things to talk about because the range of our international contacts is very extensive."

## Businessmen do not expect problems due to spat

Representatives from companies whose business in connected with work in Russia and Britain do not expect any particular difficulties with carrying out business due to the worsening relations between the two countries.

On July 16 UK Foreign Secretary David Miliband said that Britain would change the process for granting visas to Russian citizens.

Philip Dewhurst, a spokesman for Gazprom Marketing and Trading Ltd (G&MT), a Gazprom subsidiary in Britain, told Interfax that restrictions on visas for Russians should not seriously harm the company's business, as of over a hundred employees at Gazprom Marketing and

Trading there are only six or seven Russians. He said that, true, these include the managing director and his deputy, but that he hoped that the restrictions would be temporary and would not manage harm the company.

A source in Shell told Interfax: "We hope that neither side will stake any steps that would complicate the work of English companies in Russia and Russian companies in England."

Representatives from BP and TNK-BP declined to comment on the situation.

Large British corporations are not interested in rifts in relations between London and Moscow, head of the Russian Union and Industrialists and

Entrepreneurs Alexander Shokhin said.

"The statements made by politicians are at variance with the opinion of businessmen on what should be done," Shokhin said on the Vesti television channel. "I hope businessmen will urge politicians to make correct statements instead of flexing their muscles at every opportunity," he said.

"Big business will not allow relations between Britain and Russia to deteriorate," he said, adding that BP and Shell are among the companies that are interested in broader cooperation between the two countries.

Natural Resources Minister Yury Trutnev does not believe it would be sensible to review agreements with British

companies due to the recent worsening in Russian-British relations. "I don't think it would be sensible to introduce any kind of restrictions that would impact the investment climate.

This is very valuable, including for Britain as well. We will work as we have been working. We don't see any grounds or need to review relations to foreign investments as a result of the recent events," Trutnev told journalists on July 17. Russian legislation states that "Russian citizens are subject to liability on our territory and according to our laws. If this results in some sort of counter reaction from Britain, this is the problem of Britain in this instance."

## Ministry pulls Lavrov article from US magazine

The Russian Foreign Ministry has announced it decided against publishing an article by Foreign Minister Sergei Lavrov in the American magazine Foreign Affairs, claiming the article had been censored. "The editors, citing internal requirements, strongly edited, if not censored, the article," the ministry said in a statement on July 19, cited by Interfax.

The article was offered to the Foreign Affairs editorial board in May 2007 as the Russian foreign minister's "direct address to the readers of this

reputable publication as clarification of Russian foreign policy," the ministry said. "But some of the edits made would have made Lavrov sign his approval of the US administration's well-known foreign-policy approaches, which we reject as going against our principles," it said.

The editors insisted that the headline "Deterring Russia: Back to the Future?" be supplemented with a sub-headline that would speak about the prevention "of a new Cold War or a conflict between Russia and

the United States."

"The thing is, however, that the sub-headline goes radically against the key concept of the Russian foreign minister's article," it said.

"Moscow is guided by the assumption that there cannot be any talk about a new Cold War, to say nothing of a conflict, between our two countries," it said "Following tiring and tough talks with the editors, matching samples that can only be traced back in the history of diplomacy, the decision was made not to publish

Lavrov's article in the Foreign Affairs magazine. This experience was reminiscent of the worst periods of the Soviet censorship past, which some seem to be trying to revive in America," the ministry said.

"The editors' flat refusal to remove the sub-headline about a new Cold War was the last stumbling block. They failed to provide any coherent arguments regarding the attempts to force the sub-headline into the article, contrary to the author's opinion," the foreign ministry said.



# Severstal, Saratov region ink deal on building metals plant

**S**everstal and Saratov region have signed an agreement to build a metallurgical complex to produce sorted metal products. Anatoly Kurchinin, general director of the Cherepovets Iron & Steel Works and a member of the Severstal board, and Governor of Saratov region Pavel Ipatov signed the agreement on July 18, Interfax reported. Investment will be a tentative 15 billion rubles.

The metallurgical complex will produce metal products for the region's construction sector. It will have a capacity to produce one million tonnes of rolled steel a year.

The plant should be up and running in 2010. It will be equipped with modern technology and use scrap metal as raw materials, which will not be very harmful to the environment.

The Severstal group includes the Cherepovets Iron & Steel Works in Russia, Severstal North America in the United States, Lucchini in



The Severstal metals plant in Russia

Italy, an upstream division controlled by Severstal-Resource and a hardware division. Sever-

stal sold 9.1 percent of the shares in the company held by Mordashov for USD 1.06 bil-

lion on the London Stock Exchange in November last year.

## Highveld to sell Transalloys to Renova unit

South Africa's Highveld Steel & Vanadium Ltd., in which Evraz Group is the major shareholder, has reached agreement with Island House Trading 86 (Proprietary) Limited, a subsidiary in the Renova Group, for the sale of Highveld's Transalloys division for 780 million rand, or around USD 112 million, Highveld said in a press release.

The board of Highveld considered the Transalloys assets non-core and consequently agreed to sell, the release read.

Transalloys produces manganese alloys, mainly refined Silicomanganese and Medium Carbon Ferromanganese.

Renova is implementing a project in South Africa jointly with United Manganese of Kalahari (UMK), which is handling the development of a manganese field in Kalahari. The field has forecast reserves of manganese ore of 300 million tonnes with a manganese content of 37 percent. The first stage of the joint venture being set up

will be able to produce up to 250,000 tonnes a year.

Construction on the mine is expected to start in the third quarter of 2007 and it will have a projected capacity to produce 1.5 million-2 million tonnes of ore a year.

Viktor Vekselberg, a co-owner of Renova Group, said in 2006 that his company will invest USD one billion over the next five years in the manganese project in South Africa.

## MMK mandates banks to raise syndicated credit

Magnitogorsk Iron and Steel Works (MMK) has issued mandate to three foreign banks - ABN Amro, ING and Deutsche Bank to syndicate a credit to acquire equipment for its mill-5000. "For one of the key projects in the MMK investment program - the construction of a hot rolling mill-5000 - the organisation of a credit covered by Hermes has been handed to three banks - ABN Amro, ING and Deutsche Bank," MMK Vice President Vladimir Shmakov said during an Internet conference on July 18. He did not say the amount of the credit or any other parameters, and said that the funds would be received in accordance with the schedule for equipment supplies, and the tenor would depend on the payback period of each specific project.

MMK Vice President Igor Vier said earlier the plant has raised a number of syndicated credits under guarantees from the German export agency Hermes to finance investment projects. "The system of financing (the construction of the mill-5000) is such that the supply section is financed with crediting from a consortium of banks under guarantees from the Hermes export credit agency, and the construction part - by MMK funds," he said.

Vier did not specify the size, timeframe and conditions for raising credits. However, he said earlier that the total cost of the mill-5000 project might reach USD one billion, of which 65 percent will go on equipment and 35 percent - on construction and installation. As a result, the size of the syndicated credit to buy the equipment for this project may amount to USD 650 million. MMK at the start of this year signed a contract for the supply of a mill-5000 with a capacity of 1.5 million tonnes of thick sheet per year with Germany's SMS Demag. Commissioning of the mill is planned for July 2009.

## Evraz's NTMK mulls large-diameter pipe plant

The final decision on whether to build a large-diameter pipe plant at the Evraz Group's Nizhny Tagil Iron & Steel Plant will be made by the end of 2007, Evraz president Alexander Frolov said Tuesday at a meeting with Sverdlovsk Governor Eduard Rossel, the governor's information policy department reported.

Frolov said "the project is realistic, but difficult." The pipe mill would not operate at full capacity, because similar facilities are now being built at several Russian plants, he said.

Rossel, voicing regret about time wasted, recalled that NTMK was the first Russian company to take on the implementation of this promising idea. "We managed to get the support of the Russian government, a joint-stock company was created and a large amount of preparatory work was done," he said. Existing plants and the facilities being built will not be able to keep up with demand for large-diameter pipes and steel plate, according to data cited by the information department in its press release.

Evraz plans to invest 40-50 billion rubles in equipment updates at its plants in the next five years, according to figures cited at the meeting. About 21 billion rubles have been spent on updates in the past three years.

NTMK has refurbished two blast furnaces and a coke battery, built a continuous casting machine, completed the second phase of modernisation of its wheels and tires division, and is continuing the modernisation of its open-hearth facilities.

Evraz's Kachkanarsky GOK, which is also located in the Sverdlovsk region, plans to start developing the Kachkanarskoye iron ore deposit as its Gusevogorskoye deposit, which has been mined for 50 years, is gradually being depleted.

## MOLDOVA

### Rospotrebnadzor to discuss wine supplies

The Russian consumer rights watchdog (Rospotrebnadzor) management is to meet with Moldovan manufacturers and exporters of alcoholic drinks to discuss supplies to Russia. "The Federal consumer rights and human welfare watchdog has noted the positive results of the resumed supplies of Moldovan wines and cognacs on one-stop-shop principle," the agency said in a statement on July 18. Of the five companies selected as a result of the inspection three have presented samples of their products for sanitary epidemiological examinations, according to the press release. "Sanitary epidemiological reports have been prepared for 21 types of products from two manufactures," the statement said. This means that these products have been approved by Rospotrebnadzor and are expected to appear on the Russian market soon. Six types of products of another manufacturer are currently being examined. "The agency's management will soon meet with Moldovan wine manufacturers and importer members of the Russian Association of Alcoholic Drinks Market Players, a nonprofit organisation, in order to explain directly, without any middlemen, further steps to speed up the positive dynamic growth of supplies of Moldovan wine products," it said.

## BELARUS

### KGB dismissals not related to spy scandal

The dismissals of Belarusian State Security Committee (KGB) chief Stepan Sukhorenko and his first deputy Vasily Dementei are not related to the recent spy affair, parliamentarian and Belarusian Foreign Ministry representative for contacts with European MPs Sergei Gaidukevich said. The dismissals in the KGB leadership are nothing but routine rotation, Interfax quoted him as saying. "There is no need to make a fuss or to say that the dismissals resulted from confrontation within the security agencies. A normal process is going on. The leadership of law enforcement and security agencies needs to be rotated, and there is nothing bad in this," Gaidukevich said. "That (former presidential security service chief Yury) Zhadobin has been appointed KGB chief is a normal thing. You will not appoint a second or third deputy to lead the KGB when you need to reinforce the special service," he said.

### Lukashenko says WTO membership important

Belarus needs to join the World Trade Organisation in the near future, Belarusian President Lukashenko said. "Whether we join the WTO or not, we will be surrounded by WTO members such as Russia and Ukraine and we will work with them under WTO principles," Lukashenko said at a meeting with Secretary General of the United Nations Conference on Trade and Development (UNCTAD) Supachai Panitchpakdi in Minsk on July 17. "Our concern is that these countries should deal with us without double standards, on WTO principles. Otherwise, we can be discriminated against by these countries, which is why it is important to us to become a WTO member," he said. Lukashenko thanked the UNCTAD Secretary General for "the enormous support you are providing and, hopefully, will be provided during our accession to the WTO."

### Belorusneft-PdVSA to start seismic work in Venezuela

The Belarussian-Venezuelan joint venture SeismoVenBel plans to start carrying out seismic exploration work in the Orinoco basin in Venezuela in mid-November 2007, a source in Belorusneft told Interfax. "A group of Belarussian specialists is to arrive in Venezuela at the end of August. They will start setting up a field camp in an oil zone near the Orinoco and will carry out training. The start of field work is planned for mid-November," the source said. SeismoVenBel was set up in 2007 by Belorusneft and the Venezuelan state oil company Petroleos de Venezuela SA (PdVSA) to carry out seismic exploration work at oil fields in Venezuela, in accordance with Belarussian-Venezuelan interstate agreements.



## CROATIA



Greek Prime Minister Costas Karamanlis (L) chats with his Croatian counterpart Ivo Sanader during the signing of a bilateral "Friendship, Good Neighborhood and Cooperation Pact" at the Maximon Mansion, Athens, July 16, 2007

## Cooperation agreement inked with Greece

A "Friendship, Good Neighbourhood and Cooperation" agreement was inked by Greece and Croatia on July 16. The two agreed to work towards closer relations in the commercial, economic and tourism sectors, Deutsche Presse-Agentur (dpa) reported. The agreement was signed by Greek Prime Minister Costas Karamanlis and visiting Croat Prime Minister Ivo Sanader. Karamanlis reiterated Greece's support for Croatia's full European Union membership in 2009, and on the issue of Kosovo said that "there was still time for negotiations so that a solution could be found that would contribute stability in the region." In his speech, Sanader supported the northern Greek city of Thessaloniki becoming a regional centre of development for the region. The two leaders also endorsed the steadfast determination of their countries to proceed in developing the institutional and operational strengthening of the Southeastern Europe cooperation process.

## Hungary, Croatia sign power line deal

The system director of electrical-grid operator Mavir, Gabor Tari, and his counterpart at Hrvatska Elektroprivreda, Dubravko Sabolic, signed a contract in Osijek, Croatia, to build a 400 kV power line between Pecs, Hungary, and Ernestinovo, Croatia, Croatia Post reported. Also present at the contract signing were Croatia's Minister of Economy, Employment and Enterprises Branko Vukelic, Hungary's Minister of Economy Janos Koka and the economic attache of the Hungarian Embassy in Zagreb, Peter Zavoczky. The two 400 kilowatt lines are scheduled to be completed by March 2010, it was reported. According to the contract, Hungary will build 42.2 kilometers of the cable at a cost of approximately 20 million Euro, while Croatia will build 44.1 kilometers of cable at a cost of approximately 21 million Euro by March 2010. Hungary's 20 million Euro will include the cost of expanding the Pecs substation.

## Central Bank governor refuses BayernLB's entrance to market

Croatian Bank Governor Zeljko Rohatinski recently refused to permit Germany's BayernLB to operate in Croatia again, saying its behavior in the collapse of a Croatian bank was "far below professional levels." The Munich-based BayernLB required approval from Croatian Central Bank to operate the Croatian-based branch of Austrian Hypo Alpe-Adria-Bank, in which it acquired a majority stake in May, Croatia Post reported. Rohatinski said in a statement that main cause of denial was BayernLB's earlier performance in Croatia. He acknowledged that he was "fully aware of the weight of that decision and my personal responsibility." The decision of the central bank has placed BayernLB in awkward position and may force it to sell its stake in Hypo Alpe-Adria Bank, it was reported. Besides, the decision will also disturb the scenario in the Croatian government, which cherishes Germany as its longtime ally and supporter of its bid to join the European Union, it was reported. BayernLB previously owned Rijecka Banka, once the dominant bank in northwestern Croatia. In 2002, thousands of depositors rushed to the bank to withdraw their savings, fearing that the bank would collapse after its managers reported a 98 million Euro loss resulting from foreign exchange transactions.

## MONTENEGRO



A young couple enjoys the Montenegrin coast in Petrovac, 70 kilometres from Podgorica. Montenegro is enjoying a huge increase both in tourism and investments

# Tourism up 30%, and property investment increases 4-fold

Through tourism, industry and real estate, Montenegro stands third in Europe in investment per capita, after Estonia and the Czech Republic, Mnnews reported. According to a recent report compiled by global real estate experts Colliers International, there has been a 400 percent rise in Montenegro property investment transactions over the past two years driven largely by British, Irish and Russian demand and commitment. According to experts, Montenegro received 505 million Euro in foreign direct investment (FDI) last year due to free market economy and low taxation. The experts predicted that FDI is expected to increase to 850 million Euro this year and continue to rise

progressively.

"Rising investment shows that we have good prospects in further development. We estimate around 850 million Euro in FDI this year," Montenegro Investment Promotion Agency (MIPA) CEO Petar Ivanovic was quoted as saying, adding: "Foreign investments have been steadily rising since 2004." The biggest investments in the country stem from the financial sector. New investment funds, well-known banks and broker's houses have entered Montenegro's market. According to MIPA, tourism is a close second in bringing in investments, with the construction of new, or reconstructing existing, hotels.

As Montenegro's economy is mainly based on tourism, an increased number of foreign

guests - around 450,000 are expected to visit the Montenegrin coast this year, an increase by 30 percent more than last year. Moreover, industry ranks third in terms of attracting investment, and transportation sector places fourth, it was reported. Norway-based Staatskraft is ready to invest a starting sum of 1.5 billion Euro in the Montenegrin energy sector. "The plan is to build new hydro plants, with the aim for Montenegro to become an energy exporter.

In addition, a United States-based company, Bechtel, plans to invest in the road infrastructure across Montenegro," Ivanovic was quoted by Mnnews as saying.

Moreover, Russia has purchased the aluminum factory in

Podgorica and a bauxite mine in Niksic. However, according to Ivanovic, Montenegro should not curb the investment freedom of foreign investors. "Curbing investment freedom is discrimination.

It is important to remember that foreign investors do not pass laws; they are not in the parliament, in the government and its agencies.

They are not responsible for the rules," he was quoted as saying. All of the major investment in the new country is also expected to draw more personal financing. By improving the infrastructure of the area, with money being ploughed into roads, airports and railways, many individuals are not searching the country's real estate prospects.

## BOSNIA-HERZEGOVINA

## War crimes court acquits Karadzic's aide

On July 18, Bosnia-Herzegovina's war crimes court acquitted Bosnian Serb Momcilo Mandic of charges of war crimes during the 1992-1995 war, Deutsche Presse-Agentur (dpa) reported. Mandic was one of the closest associates of the former Bosnian Serb leader Radovan Karadzic, indicted by the UN war crimes tribunal in The Hague.

Bosnia-Herzegovina's judicial authorities charged Mandic a year ago with "criminal offences of war crimes against civilians and crimes against humanity." The indictment filed by Bosnia-Herzegovina's prosecutor's office alleged that Mandic, acting as a deputy Bosnian Serb interior minister, led an attack on the police academy in Sarajevo together with Bosnian Serb military and paramilitary units in April 1992. The indictment further charged Mandic with organising and maintaining detention centres for non-Serbs around Sarajevo between May and December 1992, while he served as justice minister in the Bosnian Serb government. Although he was acquitted of war crimes charges,

Mandic will remain in prison where he is serving a nine-year sentence for financial embezzlements in support of war crimes suspects, including Karadzic, reports said.

## ... but sentences Muslim to 30 years for war crimes

On July 17, the War Crimes Chamber of Bosnia-Herzegovina's State Court in Sarajevo sentenced a Bosnian Muslim to 30 years in jail for war crimes against Bosnian Serb civilians during the country's 1992-1995 war, Deutsche Presse-Agentur (dpa) reported. As a member of the Bosnian Muslim-dominated Territorial Defence Force, Niset Ramic, according to the indictment, surrounded and captured a group of Serb civilians near the central Bosnian town of Visoko in late June 1992. While escorting the group to a facility in the nearby village of Hlapceveci, he was charged with shooting dead four prisoners and wounding two. Before being indicted for war crimes, Ramic was serving 20 years imprisonment in the central town of Zenica for a number of criminal activities.



## ALBANIA

# President finally elected; Topi takes office this week

In a delayed decision by the Albanian Parliament, last week, a president was finally chosen to lead the country. Bamir Topi, vice chairman of the ruling conservative Democratic Party, was elected as Albania's new president on July 20, after the parliament's fifth attempt to choose a head of state and fourth official vote over a period of weeks. Topi reached the required threshold of 85 votes late in the day on July 20 in the 140-member chamber, the Albanian press agency ATA reported, cited by Deutsche Presse-Agentur (dpa). His chief rival, Neritan Ceka, head of the opposition liberal AD faction, received five votes from the 90 legislators who attended the session. Alfred Moisiu has been serving as Albania's president since July 2004. His term ends on July 24.

The failure to choose a president in earlier rounds of voting had raised fears that a constitutional provision, requiring new parliamentary elections if legislators are unable to choose a head of state, would take effect, dpa reported.



*Bamir Topi (C) is all smiles after being elected President in Tirana, Albania, July 20, 2007. Albania's Parliament elected Bamir Topi from the ruling Democratic party as the country's new president, after failed attempts to choose a leader raised the spectre of early general polls*

## FYROM

## Customs cooperation agreement inked with Slovakia

FYROM and Slovakia recently signed an agreement on cooperation and mutual assistance on customs matters to promote the exchange of information for discovery and eradication of crime and illegal trade as well as facilitation of trade and transport, media reports said, cited by MPT Online.

The agreement was signed by FYROM Customs Administration Director Vanco Kargov and Customs Directorate of Slovakia General Manager Eleonora Krocianova. Outlin-

ing the agreement, Vanco Kargov said it will promote the cooperation between the two countries, especially the development of capacities, exchange of information for discovery and eradication of crime and illegal trade, and facilitation of trade and transport between the two countries.

FYROM expects assistance from Slovakia in exchange of experiences aimed at helping it achieve full-fledged EU membership, it was reported.

The signing of this agreement will receive the legal basis for further improvement of the cooperation between the two countries, Krocianova said. She added that under the agreement, FYROM's customs can expect assistance in establishment of information systems and customs laboratory for which its officials will receive training and attend seminars in Slovakia. The first group has already participated in the seminar in Slovakia on June, it was reported.

## IMF foresees GDP growth

The International Monetary Fund (IMF) expects higher gross domestic product (GDP) in FYROM, MRT Online reported. The initial assessments are good, IMF Head of Mission Head Mark Griffiths said prior to the meeting with FYROM Finance Minister Trajko Slaveski. Griffiths has said that the growth of FYROM's GDP has been assessed to be 4.5 percent; and the IMF expects even higher growth. "If your government can achieve this, then it is good, but the best thing is to

be cautious and to work on better," IMF Head of Mission was quoted as saying.

The mission has started the talks about the implementation of the reforms provided in the standby agreement. Regarding the question on the IMF's targets, Griffiths said that IMF has no targets on GDP growth and it cannot be controlled. Griffiths said that the goal of the visit to Skopje is starting of the talks for the Third Review under the Stand-By Arrangement - more concretely reviewing the con-

ditions and ongoing structural reforms, which are moving good so far.

The talks on Third Review are expected to be finished in next several months, it was reported. He added that the Second Review passed excellently at the meeting of the board of directors two months ago. The mission's main goal is the oversee the realisation of quantitative targets up to the second quarter of 2007, as well as preparatory activities for the Third Review under the Stand-By Arrangement.

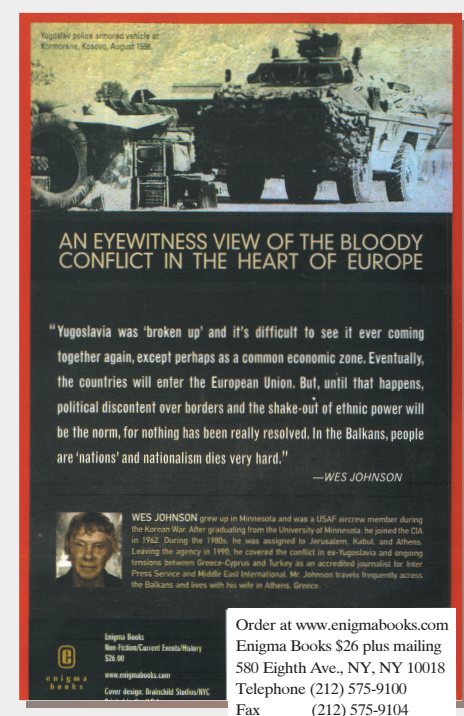
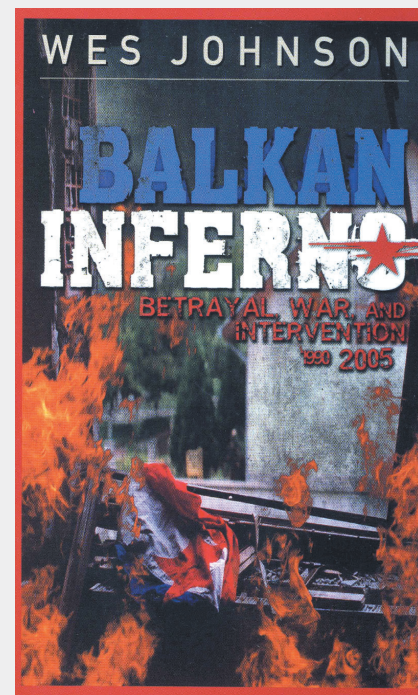
## TURKEY

## MoU inked with JRC for research cooperation

The European Commission's Joint Research Centre (JRC) and Turkey recently signed a memorandum of understanding (MoU) to increase research cooperation in the areas of food safety, energy and chemicals, TurkishPress.com reported. The agreement focuses on cooperation in the key areas of environment and health, food and feed safety and quality, security, energy (including nuclear safety and security), agriculture and chemicals, it was reported. The MoU should help boost cooperation between Turkish organisations and the JRC. According to the agreement, Turkish research organisations would be given the opportunity to participate in activities at the JRC; and the JRC will host up to 20 jointly-selected Turkish PhD or post-doctoral students at its specialised research institutes located across the EU (Belgium, Germany, Italy, the Netherlands and Spain). These stays will be funded by TUBITAK, the Scientific and Technological Research Council of Turkey. "EU Research Policy can only realise its full potential when it has the appropriate links with scientific and technical organisations at international, national and regional level," JRC Director General Roland Schenkel was quoted as saying, adding: "Turkish organisations are clearly committed to playing their part. We are particularly happy that young Turkish researchers will be given the opportunity to work at our research institutes."

## Iraq shows concern over Turkish military build-up

Iraq's Minister of Foreign Affairs Hoshyar Zebari has voiced concern over a Turkish military build-up on Iraq's northern borders, Voices of Iraq (VOI) was cited as reporting by TurkishPress.com. Iraq's Foreign Ministry sent a statement to the local press saying that Zebari expressed his concerns during a phone call with his Turkish counterpart Abdullah Gul a day earlier. The statement carried the news of an expected visit by Iraqi Prime Minister Nouri al-Maliki to Turkey. During the phone call, Zebari reportedly stressed that ending the massing of troops would help ease the tension between the two countries. Turkey has reportedly stationed more than 140,000 troops near the border with Iraq, it was reported. Zebari suggested a dialogue with Turkey "either through bilateral relations or through the Iraqi-US-Turkish military and security committee," according to VOI.



## Praise for *Balkan Inferno: Betrayal, War and Intervention*

"The book provides a colorful panorama laced with cogent insight of the Balkan area of war, peacemaking, successful and otherwise, and the human and ethnic dramas and conflicts of our own time in South-eastern Europe and their historical background. Johnson has achieved a *tour de force* of both personal reportage and historical analysis that is compelling reading."

John K. Cooley, author and former foreign correspondent for *The Christian Science Monitor* and ABC Television and Radio News



## TAJIKISTAN

## Global rivals for development loans

Tajikistan's diplomatic skills enticed economic assistance from three global rivals the United States, Russia and China, Irinnews reported. The US engineering corps is constructing a 670-metre bridge across the Amu Darya river on the border between Tajikistan and Afghanistan. The financial aid worth 36 million Euro was provided by the US Department of Defence. The bridge is due to open in August. Since the Afghan war began following the September 11 terrorist attacks, the United States has been Tajikistan's largest financial contributor. US Ambassador to Tajikistan Tracey Ann Jacobson said the bridge would increase traffic and trade between Tajikistan and Afghanistan. It will also promote the economic integration of Central Asia, rich in energy resources, and South Asia, mainly the huge markets of India and Pakistan, she said. Tajikistan allows both Russian troops and US forces to be stationed in the country. It has also joined the Shanghai Cooperation Organization (SCO), a regional cooperative group consisting of Russia, China and four Central Asian countries. Tajikistan is also taking the diplomatic initiative to expand its relations with South Asian countries.

## Kazyna fund president visits Tajikistan

The Kazyna Sustainable Development Fund delegation visited Tajikistan to discuss questions of investment projects realization, Interfax reported, citing the fund press-service. Within the framework of the visit, the delegation met Tajikistan President Emomali Rakhmon, the energy and industry minister, the finance minister, the economic development and the trade minister together with the National Bank chairman and other state bodies chairs. The parties discussed plans on cooperation in the spheres of joint investment projects in hydro energy, mineral resource industry, Kazakh-Tajik Joint Investment Fund establishment and other questions, the press-service said.

## ADB to issue 192-mln-Euro loan to help agriculture

The Asian Development Bank (ADB) will issue 192 million Euro worth of loans and grants to Tajikistan over the next three to help develop the country's rural infrastructure, promote regional cooperation, and implement policy reforms in the agriculture, energy, transport and social sectors, according to the Tajikistan Country Operations Business Plan (COBP) for 2007-2009, an ADB spokesman Tatyana Yevstifeyeva said. Yevstifeyeva said some 74.1 million Euro would be allocated this year, reads a press release. "There are plans to allocate some 63 million Euro and 55 million Euro in 2008 and 2009, respectively," she said.

## Russia to deploy aircraft, helicopter at Aini airbase

Air forces of the Russian 201st military base deployed in Tajikistan will be stationed at the Aini airbase outside Dushanbe in 2008, a source in the Russian Defense Ministry told Interfax on July 17. "According to preliminary information, the Aini airbase will host four Su-25s, four Mi-24s, and four Mi-8s," the source said. Construction of infrastructure for aircraft and personnel is expected to be completed next year, under an agreement earlier signed by Moscow and Dushanbe. The agreement envisions allocating 24 hectares for deploying Russian aircraft in Tajikistan.

## Dushanbe not holding air base talks with India

Tajikistan was not and is not in talks with India on the deployment of military helicopters and aircraft on the Aini airfield outside Dushanbe, Takhmina Khairulloyeva, the deputy head of the Defence Ministry's International Affairs Department, told Interfax. The Times of India reported on July 17 that the Indian Defence Ministry plans to locate Mi-17 helicopters and training aircraft at Aini airfield. The newspaper claimed citing anonymous sources in the Indian Defence Ministry that India plans to turn this airfield in Tajikistan into an Indian air base. "Indian-Tajik military cooperation only covers the development of the Aini infrastructure by Indian engineers," Khairulloyeva said.

## KYRGYZSTAN

## Bakiyev signs law liberalising alcohol market

Kyrgyz President Kurmanbek Bakiyev has signed into law a bill regulating the manufacture and sale of ethyl alcohol, alcoholic beverages and other alcohol-containing products, the presidential press service said. The new law liberalises the manufacture of alcoholic drinks, the state secretary of the State Agency for the Production, Storage and Sale of Alcohol and Alcohol-Containing Products, Orozgan Sydykov, told Interfax.

It abolishes the requirement that the state must own a 51 percent stake in enterprises producing such drinks. Owners of such enterprises "will be owners in the full sense of the word," Sydykov said. "Now they will have no risks. Until now they have been unable to invest their funds and build up production because the state, as their partner, has been unable to invest. And since the state has been their partner they have had shared responsibility," he said. There are 16 such enterprises in Kyrgyzstan, Sydykov said.

The new law prescribes no rules on the size of authorised



A worker examines bottles of vodka on a production line. A new Kyrgyz law liberalises the manufacture of alcoholic drinks

capital for producers of wine and beverages with low alcohol content.

Nor does the state have to hold any stake in such enterprises. There is no rule on how large state interest in such enterprises is if the state does co-own them. The state remains

the monopoly manufacturer of ethyl alcohol alone, whereas until now it has monopolised the production of all kinds alcohol as well as spirits, liqueurs, all kinds of wine and all fruit beverages with alcohol content higher than nine percent.

Sydykov's agency says the

country's alcohol industry produced 637,200 decilitres of alcoholic beverages in the first half of 2007, which was 2.8 percent less year-on-year. It also produced 394,300 decilitres of pure alcohol in the first half of 2007, which was double the amount for the first six months of 2006.

## Bishkek, Astana set up joint investment fund

Kyrgyzstan and Kazakhstan have set up an investment fund for implementing joint economic projects. Kyrgyz Prime Minister Almaz Atambayev and Kazakh Prime Minister Karim Masimov signed an agreement on setting up the investment fund during Masimov's official visit to Kyrgyzstan in Bishkek, Interfax reported. "The fund will amount to 120 million Euro, of which 100 million Euro will be allotted by Kazakhstan and 20 million Euro by Kyrgyzstan. The money will finance the development of the Kyrgyz economy and the implementation of promising economic projects," Masimov said at a press conference. "We are grateful to the Kyrgyz parliament for hav-

ing the chance to bid in a tender for the privatization of the cascade of Kambarata hydropower plants and we have every chance to win in an open and fair competition. This project is beneficial to Kazakhstan," as the country needs extra energy resources, Masimov said.

Atambayev said at the press conference in comments on the establishment of the Kyrgyz-Kazakh investment fund that Kyrgyzstan "is getting interest-free and irrevocable investment, which will finance the development of the Kyrgyz economy." The Kazakh premier said the fund would be meant to develop the Kyrgyz economy. Atambayev said Kyrgyzstan would receive an interest-free non-

refund investment, not a loan, to develop its economy. Among other things, Masimov said, the parties agreed that Kazakhstan would allow Kyrgyz railway carriers to use Kazakh domestic tariffs. "A decision was taken to cancel Kyrgyzstan's debt to Kazakh railway carriers," he said. The two officials will also attend a Kyrgyzstan-Kazakhstan business forum later to discuss promising Kyrgyz economic projects.

Meanwhile, in Bishkek during the Kazakh-Kyrgyz business forum memorandum on Kyrgyz-Kazakh Ferroalloy Plant construction was signed. The document was signed by KG Industry, Energy and Fuel Resources Minister Igor Chudi-

nov and National Centre on Complex Processing of Mineral Raw Material at the RK Industry and Trade Ministry chair Abdrasul Zharmenov.

Addressing the participants, Zharmenov said that the plant could issue 200 thousand of tonnes of ferroalloy of total sum of USD 250 million. The plant will create more than two thousand of working places. According to Abdrasul Zharmenov, coal waste will serve as raw material. Atambayev stated that the construction will need funding of more than USD 100 million. "Project works are already being executed, the construction will start by this year and finished by the middle of 2008," the Kyrgyz premier said.

## Authorities to crack down on religious organisations

The head of the state agency for religious affairs at the Kyrgyz government, Toigonbek Kalmatov, has advocated tougher control over the activity of religious organisations, Interfax reported.

"Measures to tighten control over the activity of religious organisation are highly needed, because some of them work illegally," Kalmatov told Interfax. "Five bills introducing tougher requirements on the activities of religious organizations are being developed," the official said. "Currently,

2,142 of such organizations have been officially registered in the country. However, the activity of some 500 organizations is illegal," he said.

"These are the Hizb ut-Tahrir radical party, the Tabligi Daavata movement, Satanists, the White Brotherhood, the Maharishi Cult and others," he said. "Some of these movements are banned in the SCO member states as well," the director of the state agency said. "Many religious movements were founded in the country in 1991-

1996, when the state did not exercise control over their activities," he said.

"The state agency for religious affairs began operating in 1996 only," the head of the agency said. "In general, laws on religious organisations are rather mild in Kyrgyzstan. The only thing required to register a religious organisation is that its charter does not contradict the national legislation," Kalmatov said, adding that "a full-fledged legal base is required to guarantee tougher control," he said.



## TURKMENISTAN

# Turkmen-Russian commission prepares new agreements

The current session convened against the background of the dynamic development of the Turkmen-Russian relations, Turkmen Vice Prime Minister and Minister of Foreign Affairs Rashid Meredov said. He chaired the second session of the Intergovernmental Turkmen-Russian Commission for Economic Cooperation held at the Turkmen Cabinet of Ministers. The heads and representatives of a number of state and business structures of Turkmenistan and Russia, including the leading ministries and establishments of the two countries attended the session. Around heads of some 30 big Russian companies attended the session, Turkmenistan.ru reported.

During the meeting members of the Intergovernmental Turkmen-Russian Commission agreed on a list of issues and problems that need further consideration. The sides agreed on the need to coordinate, complete and sign a number of important intergovernmental documents. They include agreements on trade-economic cooperation, on promotion and mutual protection of investments, on launching railway-ferry communication between the ports of Olya, Mahachkala and Turkmenbashi, on motor transportation, on Turkmenistan's quota for sturgeon fishing in the territory of the Russian Federation and others.

Members of the high commission supported the idea of holding a Turkmen-Russian economic forum in Ashgabat in 2007 and an exhibition of Russian industrial goods in 2008. The commission instructed the Supreme Council on Science and Technologies under the president of Turkmenistan, the Ministry of education of Turkmenistan and the Ministry of



*Turkmen President Gurbanguly Berdimukhammedov (R) welcomes Russian President Vladimir Putin (L) in Ashgabat, May 11, 2007. Eighty six companies with Russian capital operate in Turkmenistan.*

education and science of the Russian Federation to hold consultations in the second half of 2007 with a view to preparing and agreeing a draft agreement on the scientific-technical cooperation and discussing issues related to setting up joint educational establishments in Turkmenistan.

An agreement was also reached that in the second half of 2007 the Turkmen side would prepare a draft agreement on cooperation in the sphere of education and a programme of education of Turkmen specialists at the leading Russian high educational establishments. These documents would be sent to the Russian side for consideration through the diplomatic channels. At the session, both sides signed the agreement on the Intergovernmental Turkmen-Russian Commission on Economic Cooperation and a Protocol to the agreement. The third session of the Intergovernmental Turkmen-Russian Commission on Economic Cooperation is scheduled to be held in Moscow in the second quarter of 2008.

Meanwhile Turkmen Presi-

dent Gurbanguly Berdimukhammedov and Deputy Chairman of the government of the Russian Federation Sergey Naryshkin discussed prospects for Turkmen-Russian partnership in the humanitarian sphere at a meeting. According to Sergey Naryshkin, Russian high educational establishments will admit 70 students from Turkmenistan, as prospective specialists in the fuel and energy sector, in the next academic year. "The cooperation in the sphere of education will grow steadily in the future," he said. Berdimukhammedov commended Russia for its willingness to provide practical assistance in training skilled staff for different branches of Turkmenistan's economy. He stressed the importance of speeding up and expanding cultural contacts. In this regard, the President of Turkmenistan noted the significance of such actions as the year of Turkmenistan in the Russian Federation and vice versa. It should be noted that the agreement to this effect was reached during the high level talks in Moscow.

According to the sides,

establishing cooperation in the sphere of sport is no less important. In this connection, the President of Turkmenistan once again congratulated the government of the Russian Federation on Sochi's election as the host-city of winter Olympic Games 2014 at a session of the International Olympic Committee in Guatemala. Sergey Naryshkin, in turn, noted that Sochi would be happy to welcome Turkmen sportsmen at the winter Olympic Games. The sides also touched on the issue related to progress in preparation of agreements on the construction of the Caspian gas pipeline and development of gas transportation systems in the region.

The sides looked into the issues of the trade-economic cooperation between the two countries and noted the need to increase trade turnover. In this context, Berdimukhammedov instructed the relevant officials to study the possibility of purchasing agricultural equipment manufactured in Russia which proved to be efficient in various sectors of the agricultural-industrial complex of Turkmenistan.

## AZERBAIJAN

## Human rights watch voices concern over situation

Executive Director of Human Rights Watch (HRW) Kenneth Roth has expressed concern over the situation around human rights and freedom of the press in Azerbaijan. We are very much concerned about the human rights situation, especially the worsening situation around freedom of the press, and these issues will be paid particular attention at all our meetings with the authorities, he told Interfax in Baku on July 16. The purpose of my visit to Azerbaijan is to familiarize myself with the human rights situation, Roth said. Roth held meetings with representatives of Azerbaijan's human rights organisations on July 16.

## Economy grows 35% in H1

The Azerbaijani economy grew 35.1 percent to 10.672 billion manat in the first half of 2007 compared with the same period last year, a source in the State Statistics Committee told Interfax. Industrial output accounted for 62.2 percent of GDP, agriculture for 4 percent, construction for 6.7 percent, transport for 5.4 percent and communications for 1.6 percent. Azerbaijan's per capital GDP increased 33.6 percent to 1,265 manat in the first half of 2007. Industrial output rose 35.6 percent to 9.194 billion manat in the first half of 2007. Rubber and plastics output increased 92.9 percent, machines and equipment grew 150 percent, transport resources and equipment - 93.7 percent, food products - 12.5 percent and construction materials - 14.4 percent. Azerbaijan produced 21 million tonnes of oil and 4.5 billion cubic meters of gas in the first half of 2007.

## Baku slams Russian pullout from CFE

Azerbaijan takes the view that decision by Russia on July 14 to suspend its application of the Conventional Forces in Europe Treaty (CFE) "will not, of course, make any contribution to the constructive development of international relations," a senior aide to Azerbaijan's president told Interfax. "Constructivism is very important for interstate relations in the 21st century. It is particularly important that Russia and the United States should show such constructivism," Navruz Mamedov, head of the foreign relations department of the presidential executive office told Interfax. "Deterioration of relations between Russia and the United States runs completely against the interests of Azerbaijan. We would like cooperation between Russia and the United States to be constructive," he said. "In any case, Russia's move means a process and position that are not very desirable for us," Mamedov said.

## Deutsche Bank and Citigroup chosen leading manager

Finance ministry of Azerbaijan has selected Deutsche Bank AG London and Citigroup Global Markets Limited as leading manager in Azerbaijan on Eurobond emission, Interfax learnt from the ministry of Finance. Deutsche Bank AG London has become a winner of the tender for choosing leading manager on the first Eurobond emission. 11 leading international investment banks have taken part in the tender. According to the deal of Rating Advice signed between Citigroup Global Markets Limited and the Ministry of Finance, Citigroup has gained an opportunity to become a leading manager by accepting technical financial terms presented by Deutsche Bank AG London.

## Oil production increases 45% in H1

Azerbaijan increased oil production 45 percent year-on-year to 21.05 million tonnes in January-June 2007, a source in the State Statistics Agency told Interfax. Of that amount, Azerbaijan International Operating Company (AIOC), the operator for Azeri-Chirag-Gunashli (ACG) fields in the Caspian Sea, produced 16.7 million tonnes of oil. Gas production grew 32.9 percent year-on-year to 4.469 billion cubic metres in January-June, including 1.96 billion cubic metres at AIOC, the Statistics Agency said. Growth in production was mainly due to an increase in production of associated gas by AIOC, and to the start of gas production at the Shah Deniz field.

## Reconstruction of Afghan railway begins

A ceremony to launch the reconstruction of a two km section of the railway in the territory of Afghanistan that runs into the territory of Turkmenistan was held in Afghan Turgundi and Turkmen Serhetabat towns on July 12, Turkmenistan.ru reported. This initiative was proposed by Turkmen President Gurbanguly Berdimukhammedov during his recent meeting with Afghan counterpart Khamid Karzai. The initiative relates to the overhaul of the railway including full replacement of mechanisms and equipment at the expense of Turkmenistan including financing of works for the total value of USD 550,000. After laying the first symbolic pair of sleepers in the Afghan territory in Turgundi the similar ceremony was held in Serhetabat. The ceremonies were attended by the delegations of two countries. Afghanistan was represented by Public Affairs Minister Sohrab Ali Safari, Minister of Labor and Social Security and on Disabled and Shaheed Affairs Nurmuhammet Garkyn, Governor of Herat Seyit Hoseyin Anvari, Afghan Ambassador to Turkmenistan Abdulkarim Haddam.

## US Trade restrictions will not affect Turkmenistan

US President George Bush notified United States Congress that it must vote on whether or not to extend the 1974 Jackson-Vanik amendment for a further year in relation to Turkmenistan. The Congress is voting on whether or not to prolong trade restrictions on Turkmenistan, but observers say that the measure has little effect and that only wider international sanctions would work, Irinews reported.

The amendment bans the US government from exporting goods or giving state funds to countries that restrict citizen's freedom to emigrate. It will a long time before emigration rules in Turkmenistan are liberalised. Visa regulations remain stringent, and freedom of movement is still restricted by blacklists of people who are prevented from travelling. These lists contain the names of around 20,000 journalists, dissidents, civil activists and the relatives of "enemies of the people". The amendment also allows the US government to impose an embargo on Turkmenistan and block its entry to the World Trade Organisation.



## UZBEKISTAN

## Increase in wages, pensions by 25%

Wages are to be increased by 25 percent in Uzbekistan from August 1, the presidential press service told Interfax. "President Islam Karimov has decreed the increase in wages, pensions, student grants and social benefits from August 1, 2007," the press service said. Wages and salaries paid to workers of state-run organisations, pensions, social benefits and student grant will be increased 1.25 times on the average, it said. The minimum wage will be 15,525 som and the minimum pension 30,750 som beginning from August 1. Local media reported that the average monthly wage reached 187,600 som, or 150 Euro in Uzbekistan by the end of 2006. "The presidential decree marks the beginning of a large-scale program to increase wages and other payments 150 percent by 2010," media said. Wages were last raised in Uzbekistan by 20 percent in November.

## Sumitomo shows interest in ICT Uzbek market

Uzbek Agency of Communication and Informatisation recently hosted the meeting of the Deputy Prime Minister of Uzbekistan, Director General of the UzACI Abdulla Aripov and a delegation of the Sumitomo Corporation headed by its Executive Office, General Manager of the Telecommunication, Environment and Industrial Infrastructure Division Takafumi Sone, Interfax reported. In Uzbekistan, Sumitomo Corp. is particularly active in the areas, such as oil and gas, chemical industry, energy, transportation, agriculture, education, culture and tourism. The corporation is currently showing interest in the industry of communication and information technology. The Uzbek party spoke about the measures being implemented in the country to integrate and develop ICT and telecommunication. Information on the development of the mobile and fixed communication, on the projects on the preparation and training of qualified specialists for the ICT industry was presented.

## Underground sect members fined

An Uzbek court has fined seven members of the Jehovah's Witnesses sect, which was active in the city of Kagan in the Buhara region. "The court upheld the guilty verdict for Fazila Ibodova. She was found guilty of breaching the administrative code and the law on religious organizations," a source in the city criminal court told Interfax on July 16. "The court found Ibodova guilty and ordered her to pay nine minimal salaries (the minimal salary in Uzbekistan stands at 12,420 sums) in fines. The court fined another six sect members for amounts varying from two to ten minimal salaries," he said. According to the Uzbek Religious Affairs Committee, the sect is officially registered only in the city of Chirchik in the Tashkent region. Over all, 2,222 organizations of 16 religions are registered in Uzbekistan. The overwhelming majority of them, 2,042, are Islamic. Nearly 88 percent of Uzbekistan's citizens are Muslims. There are also 164 Christian organizations, eight Jewish communities, six Bahai communities, a Krishna community and a Buddhist temple.

## Tax benefits for banks extended to 2012

President Islam Karimov recently announced that commercial banks would be exempt from tax on profit earned on long-term investment loans for the period until January 1, 2012, Interfax reported. According to the Presidential Resolution published in local press, the banks are eligible for tax benefits allowing them to exclude from the taxable base the profits earned on the loans extended for the period of over three years for the investment projects on modernization, technical re-equipment and renovation of production in priority sectors of the economy (in accordance with the approved target programmes). The ministry of finance will annually appropriate funds to the Fund for Support of Mortgage Lending to compensate for the negative margin between the interest rate on the funds borrowed by the Fund in the interbank market and the rate charged on preferential credit lines provided by the Fund to commercial banks to support the programme of preferential mortgage lending. According to the resolution, commercial banks will be exempt from the VAT tax and the tax on profit with the transfer of material values, earnings and other resources to their branches.

## KAZAKHSTAN

## CPC expansion will help to improve financial indices

The expansion of capacities of the Caspian Pipeline Consortium (CPC) could help to increase its financial indices, Vedomosti newspaper quoted Chevron Chairman and CEO David O'Reilly in an interview. He said he had met with head of Transneft, which now represents Russia's interests in the project, Semyon Vainshtok and that he told Vainshtok that the consortium has been successful and that Chevron is ready to interact with Transneft to solve problems so that capacity can be expanded.

Chevron believes that after the CPC's capacities have been expanded, the consortium will be able to improve its financial indices, O'Reilly said.

It was earlier reported that Transneft plans to initiate a shareholders' meeting on July 19. A source told Interfax that CPC shareholders voted against several proposals put forth by Transneft in early July.

Shareholders voted against three key issues: increasing transport prices to USD 38 per tonne from USD 24.60; lowering annual interest rates from the current 12.66 percent and



CTC owns the 1,580 kilometre long Tengiz-Novorossisk pipeline, which links deposits in West Kazakhstan to Russia's Black Sea coast

issuing USD five billion in Eurobonds to restructure debt, the source said.

It was the right decision to give the CPC trust management to Transneft, O'Reilly said. The company has significant experience and manages the largest network of pipelines in the world, and it is building the East Siberia - Pacific Ocean (ESPO) pipeline. However, it is too early to speak about further interaction, he said.

CTC owns the 1,580-km long Tengiz-Novorossisk

pipeline, which links deposits in West Kazakhstan to Russia's Black Sea coast. The amount of oil pumped via the CPC network stood at 31.121 million tonnes in 2006.

Chevron is interested in the Bourgas-Alexandroupolis project, but needs to be certain that there will be enough Caspian oil to fill the pipeline. Chevron is also ready to negotiate with Bulgaria and Greece over entering to the project, but only after Russia, Bulgaria and Greece have signed a final agreement

on the project's implementation, he said.

Chevron has recently been offered to invest in Turkmenistan and the company is looking into the possibility of such investment. Chevron does not have any specific plans in relation to the country, but is continuing to work actively in Kazakhstan by increasing production at Tengiz and planning an increase in production at Karachaganak.

Chevron holds a 50 percent stake in Tengizchevroil, the company developing the Tengiz oil field, and 20 percent in the Karachaganak project.

The multinational ownership structure of CPC is: Russia - 24 percent, Kazakhstan - 19 percent, Oman - seven percent, Chevron Caspian Pipeline Consortium Company - 15 percent, LUKArco B.V. - 12.5 percent, Rosneft/Shell Caspian Ventures Limited - 7.5 percent, Mobil Caspian Pipeline Company - 7.5 percent, Agip International (N.A.) NV - two percent, BG Overseas Holding Limited - 2 percent, Kazakhstan Pipeline Ventures LLC - 1.75 percent, and Oryx Caspian Pipeline LLC - 1.75 percent.

## Kazakhtelecom BB rating affirmed

International rating agency Standard & Poor's has affirmed the BB/Stable long-term corporate credit rating for the Kazakh company Kazakhtelecom, the agency said in a statement on July 16. The need for liquidity support, higher investment and higher payments on dividends restrict the company's financial stability and flexibility potential and affect its rating, the statement read. However, these negative factors are counterbalanced by Kazakhtelecom's strengthening business position, it maintains the lead in certain segments of the market, the improved quality of its network and positive

dynamics of the Kazakh economy, S&P analysts said. The amorphous structure of the market and a volatile system of regulation in the Kazakh telecom sector, the liberalization of long-distance communication services and tougher competition have a negative effect on Kazakhtelecom's ratings, the statement quotes S&P analyst Lorenzo Slyusarev as saying. "We expect improvements in the company's financial and economic indicators (including competitive advantages related to modern fiber-optical communications network embracing the whole of the country's territory), and the acceptable level of

financial risks to enable it to overcome difficulties emerging from structural changes on the telecom market, changes in its legislative base and tougher competition," he said. S&P said it hopes Kazakhtelecom will take a weighed approach to potential capital investment in the creation of its own cell phone business to prevent a drop in its credibility. The Kazakh government's stake of about 52 percent in Kazakhtelecom is currently managed by the Samruk state asset management holding, which was set up in January 2006 to manage the government's stakes in major Kazakh companies.

## Kazatomprom plans to buy 10% in Westinghouse

Kazatomprom plans to acquire a 10 percent stake in Westinghouse of the US by autumn, its president Mukhtar Jakishev told a July 18 press briefing in Almaty. He said Kazatomprom will finance the purchase with internal funds. The money for the purchase is available, it will be company

money," he said. Earlier reports said that Toshiba Corp would sell its 10 percent stake in Westinghouse to Kazatomprom in July. The deal, which has already been approved in principle by US regulators, is worth USD 486 million. Kazatomprom, a wholly state-owned company, is Kazakhstan's national

exporter of uranium and other dual-purpose materials. Kazatomprom plans to boost annual uranium extraction to 18,000 tonnes by 2010, up from 3,000 tonnes in 2006, and become the world's biggest uranium producer. Kazakhstan boasts 21 percent of the world's uranium reserves.

## HIV infection spreading in Kazakhstan

Kazakhstan recorded 815 new cases of HIV infection in January-May 2007, compared to 705 such cases in the same period in 2006, the Kazakh State Statistics Agency told Interfax. Thirty-five children tested positive for HIV in January-May 2007, Interfax quoted

the agency as saying. In this period last year, HIV was discovered in only five children. As of late May, 77 AIDS patients were registered in Kazakhstan, it said. In May 2007 alone, 206 new HIV carriers were registered in Kazakhstan, while in May 2006

there were 140 such cases. Kazakhstan, whose population is more than 15.4 million people, had registered a total of 7,402 HIV infected persons as of January 1, 2007. In 2006, it recorded 1,745 new HIV cases, which was 80 percent more than in 2005.



GEORGIA



A Georgian Air Force helicopter flies during the multinational air force exercises under NATO's Partnership for Peace Programme (PPP), the Cooperative Archer 2007 exercise at the military airfield Alekseevka outside Tbilisi, July 17, 2007

# Georgia prepared to join NATO

Georgia is prepared to join NATO without waiting for Ukraine to do so, Georgian parliamentary speaker Nino Burjanadze told Interfax.

"Of course, we would like Ukraine and Georgia to go together toward NATO. However, there is one big 'but' here, because of which this joint move might not occur, because Georgia is in fact ahead on many reforms today," Burjanadze said in an interview published in the Glavred magazine. As many as 85 percent of Georgian citizens support the country's accession to NATO,

and virtually all political parties also favour this, Burjanadze said.

"The situation in Ukraine in this regard is very complex," Burjanadze said. "I believe the biggest problem here in Ukraine is that the people are simply not informed what it is like," she said.

Georgia's accession to NATO looks more realistic now, Burjanadze said. "We are doing our business, and it would be unfair if Georgia had to sit and wait because Ukraine is unprepared to join NATO," she said.

## State property to be privatised

The privatisation of state property in Georgia will take place only at auctions or by direct sales, Deputy Economic Development Minister Kakhi Dameraia told Interfax. Commenting on changes in the law on property privatisation, passed by parliament, the deputy minister said that tenders have been removed from the list of privatisation mechanisms. He said that other amendments are of a technical nature, and create a clearer list of state property that may be privatised. In particular, the privatization is permitted of special economic zones, of certain railway infrastructure, precious metal reserves, state water and drainage systems and state graveyards, with the exception of those dedicated to national heroes.

At the same time, a ban remains in place on

the privatization of mineral resources, water resources, territorial waters, the continental shelf, state forests, airspace, national nature reserves and parks, historical, cultural and artistic valuables, and holy sites. It is also not permitted to privatize trunk pipelines, highways, air traffic controls, runways, docks at ports and frequency bands. Privatisations are open to both corporate and private entities from the republic and other countries whose share in state assets amounts to less than 25 percent. According to the Georgian Economic Development Ministry, in 2006 revenue from privatisation amounted to 463 million lari and is expected to amount to 200 million lari in 2007. The law amending the law on privatisation comes into effect from the day it is published.

## Georgian bank assets up 70% in H1

The combined assets of Georgian banks grew 70.2 percent to 5.7 billion lari in the first half of 2007 compared to the same period of 2006, a source at the National Bank of Georgia told Interfax.

The credit portfolio of Georgian banks grew 57.5 percent to 3.52 billion lari in the half. Deposits in Georgian banks rose 55.8 percent to 2.4 billion lari with deposits in the national currency increasing 53.5 percent to 802.4 million lari

and deposits in foreign currency rising 66.7 percent to 970.7 million Euro.

The charter capital of banks operating in Georgia grew 97.3 percent to 1.053 billion lari in the period. Net profit of banks grew 80.3 percent to 68.7 million lari in the half. The National Bank said its international reserves totalled 1.22 billion Euro on June 30, up 127 percent over the last year.

ARMENIA

## Yerevan cooperating in anti-terror action

Armenia is cooperating with NATO, the Collective Security Treaty Organisation and the Anti-Terrorist Center of the Commonwealth of Independent States in combating terrorism, senior Armenian officials told Interfax. "Armenia's cooperation with NATO in combating terrorism helps strengthen regional security and stimulates regional cooperation," Deputy Foreign Minister Arman Kirakosian told an international anti- terrorism conference in Yerevan organised by the Armenian Foreign Ministry and NATO.

The head of the anti-terror department of Armenia's National Security Service, Zaven Nanian, said: "Effective exchange of intelligence is one of the main points of the Armenia-NATO

individual partnership programme (Individual Partnership Action Plan or IPAP)." Armenia and NATO are exchanging "information both on the threat of terrorism and on possible movements of members of various terrorist structures through Armenian territory to other countries," he said. "Owing to the system of law that exists in the country today, action against terrorism is becoming much more effective," Nanian said. National Security Service deputy head Roman Arutiunian said "there are no recorded instances of terrorist organisations being active or being financed on Armenian territory" but that "this cannot be a reason for complacency because anti-terrorist action is a consistent and protracted exercise."

## Oskanyan outlines key priorities

"Despite difficult socioeconomic conditions, Armenia not only survived but has competed against and even triumphed over its neighbours," stated Armenian Minister of Foreign Affairs Vartan Oskanyan at ArmTech 2007, a congress and exhibition of Armenian technologies held in San Francisco, Interfax reported. He added that Armenia has selected a democratic system so it must now recognise two new realities.

"The first reality is internal to our country.

Armenia's successful reforms were those which were more obvious and less controversial from economic and political standpoints," stated the foreign minister.

"The second reality is more regional. Armenia now needs to implement deeper reforms that are more difficult to put into place," Oskanyan said. He added that when Armenia's neighbours were busy seeking their own priorities, Armenia was able to compete and pull ahead of nearby countries.

## Yerevan to discuss CFE problems

Armenia sees the Treaty on Conventional Forces in Europe (CFE) as a mechanism to preserve transparency and security balance in the European region, the Armenian Foreign Ministry said in a statement circulated on July 16, Interfax reported. The CFE has proved an effective throughout the past 15 years and has successfully deterred conventional arms race in

Europe, it said. Armenia hopes that the current differences between CFE members will be softened. "The CFE will remain in force for at least 150 days and we hope the differences between its signatories will be softened through further dialogue," the ministry says. Armenia is ready to hold joint consultations with all CFE members, it read.

## Sudoku

### Medium

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### Hard

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### Medium

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### Hard

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2	8	9	6	5	4	3	7	1
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3	1	7	4	6	8	9	5	2
4	5	8	2	9	3	6	1	7
9	2	3	7	1	6	5	8	4
6	7	1	8	4	5	2	3	9

Answers to last week



# ISN'T SMOKING ABSURD?

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- Giving up
- Passive smoking



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